



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

COMMUNITY AFFAIRS LEGISLATION COMMITTEE

Consideration of Supplementary Estimates

WEDNESDAY, 22 NOVEMBER 2000

CANBERRA

BY AUTHORITY OF THE SENATE

SENATE
COMMUNITY AFFAIRS LEGISLATION COMMITTEE
Wednesday, 22 November 2000

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

Senators in attendance: Senators Brandis, Calvert, Crowley, Denman, Evans, Gibbs, Knowles, Lundy, Tchen and West

Committee met at 9.08 a.m.

HEALTH AND AGED CARE PORTFOLIO

In Attendance

Senator Herron, Minister for Aboriginal and Torres Strait Islander Affairs

Department of Health and Aged Care

Andrew Podger, Secretary

Prof. John Mathews, Head, National Centre for Disease Control

Mr David Borthwick, Deputy Secretary

Ms Mary Murnane, Deputy Secretary

Prof. Richard Smallwood, Chief Medical Officer

PSD

Ms Lynelle Briggs, First Assistant Secretary

Ms Virginia Hart, Assistant Secretary, Budget Branch

Mr Phil Hagan, Assistant Secretary, Information and Research Branch

Ms Joanna Davidson, Assistant Secretary, Office of Rural Health

Mr Bob Eckhardt, Acting Assistant Secretary, Policy and International Branch

Ms Robyn Foster, Senior Manager, Budget Branch

Mr Bill Ross, Director, Budget Branch

CSD/ITG

Mr Neville Tomkins, First Assistant Secretary

Ms Wynne Hannon, Head, Legal Services

Ms Jan Feneley, Assistant Secretary, Public Affairs, Parliamentary and Access

Mr Andrew Wood, Assistant Secretary, Staff Support and Development Branch

Ms Stephanie Gunn, Assistant Secretary, Corporate Development Branch

Mr Peter Moran, Assistant Secretary, Contestability Branch

Mr Phillip Jones, Assistant Secretary, Business Systems Branch

Outcome 1 – Population Health and Safety

Population Health Division

Mr Brian Corcoran, First Assistant Secretary

Prof. John Mathew, Head, National Centre for Disease Control

Dr Kevin Buckett, 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 Stephen Lowes, Acting Assistant Secretary, National Population Health Planning Branch

Ms Laurie Van Veen, Director, Population Health Social Marketing Unit

Mr Peter Brooks, Acting Director, Immunisation and Vaccine Preventable Diseases Section

Mr Paul Lehmann, Director, HIV/AIDS and Hep C Section

Ms Leanne Wells, Director, Tobacco and Alcohol Strategies Section

Ms Cheryl Wilson, Director, Illicit Drugs Section

Ms Jenny Taylor, Research and Marketing Group

Ms Georgia Tarjan, Director, Primary Prevention Section

Ms Wendy Dielenberg, Director, Self Management, Policy and Projects Section

Ms Sarah Major, Director, Bowel Cancer Screening Taskforce

Ms Jean Douglas, Acting Director, Evaluation and Research Section

Ms Carolyn M. Smith, Director, Food Policy Section

Australia New Zealand Food Authority

Dr Marion Healy, Acting Managing Director

Dr Hugh Baber, General Manager, New Zealand

Mr Peter Liehne, General Manager, Standards

Ms Claire Pontin, General Manager, Strategy and Operations

Mr Greg Roche, General Manager, Safety, Legal and Evaluation

Therapeutic Goods Administration

Mr Terry Slater, National Manager

Ms Rita MacLachlan, Director, Conformity Assessment Branch

Mr Pio Cesarin, Acting Director, Chemicals and Non Prescription Medicines Branch

Dr Susan Alder, Principal Medical Adviser

Ms Liz Cain, Director, Interim Office of Gene Technology Regulator

Dr Leonie Hunt, Director, Drug Safety Evaluation Branch

Dr Brian Priestly, Scientific Director, Chemicals and Non Prescription Medicines Branch

Health Insurance Commission

Dr Jeff Harmer, Managing Director, Health Insurance Commission

Ms Lisa Paul, Deputy Managing Director, Health Insurance Commission

Mr James Kelaher, Deputy Managing Director, Health Insurance Commission

Mr Lou Nulley, General Manager, Better Medication Management System

Mr John Lee, General Manager, Finance and Planning Division

Mr Geoff Leeper, General Manager, Program Management Division

Mr Ralph Watzlaff, General Manager, Professional Review Division

Dr Janet Mould, Medical Director, Professional Review Division

Mr Bob Thomas, Executive Director, Vendor Management Division

Outcome 2 – Access to Medicare

Health Access and Financing Division

Mr Alan Keith, Acting First Assistant Secretary, Health Access and Financing Division

Mr Brett Lennon, Assistant Secretary, Pharmaceutical Benefits Branch

Mr Charles Maskell-Knight, Assistant Secretary, Financing and Analysis Branch

Ms Jennifer Badham, Assist Secretary, BMMS, Implementation Taskforce
Mr Ian McRae, Assistant Secretary, Medicare Benefits Branch
Mr Allan Rennie, Assistant Secretary, Medicare Schedule Review Taskforce
Ms Leonie Smith, Acting Assistant Secretary, Diagnostics and Technology Branch
Mr Alan Stevens, Secretary of the Pharmaceutical Benefits Pricing Authority
Dr John Primrose, Medical Officer, Diagnostics and Technology Branch
Dr Jane Cook, Medical Officer, Medicare Benefits Branch
Mr Robert Brazenor, Director, Analysis Section
Mr Michael Joyce, Director, Financial and Schedule Review Section
Mr Paul McGlew, Director, Corporatisation Unit

Outcome 3—Enhanced quality of life for older Australians

Aged and Community Care Division

Dr David Graham, First Assistant Secretary, Aged and Community Care Division
Mr Andrew Stuart, Assistant Secretary, Policy and Evaluation Branch
Mr Marcus James, Assistant Secretary, Residential Program Management Branch
Ms Lana Racic, Acting Assistant Secretary, Office for Older Australians
Mr Raino Perring, Assistant Secretary, Accountability and Quality Assurance Branch
Mr Peter DeGraaff, National Manager, Office of Hearing Services
Mr Warwick Bruen, Assistant secretary, Community Care Branch
Ms Jenny Hefford, Acting Assistant Secretary, Complaints and Compliance Taskforce
Mr Stephen Taylor, Acting Assistant Secretary, Complaints and Compliance Taskforce

Aged Care Standards and Accreditation Agency

Mr Tim Burns, General Manager, Aged Care Standards and Accreditation Agency

Outcome 4 – Quality Health Care

Health Services Division

Ms Liz Furler, First Assistant Secretary, Health Services Division
Mr Peter Broadhead, Assistant Secretary, Acute and Coordinated Care Branch
Mr Dermot Casey, Assistant Secretary, Mental Health and Special Programs Branch
Mr Andrew Tongue, Assistant Secretary, General Practice Branch
Dr Rob Pegram, Senior Medical Adviser, General Practice Strategic Development Unit
Mr Jonathan Benyei, Acting Assistant Secretary, Blood and Organ Donation Taskforce
Mr Burnie Linehan, Director, Budget Management Section

Outcome 5 – Rural Health Care

Portfolio Strategies Division

See whole portfolio

Outcome 8 – Choice through Private Health Insurance

Medibank Private

Ms DiJay, Company Secretary
Mr Mark Whelan, Chief Operating Officer

Outcome 9 – Health Investment

Health Industry and Investment Division

Mr Robert Wells, First Assistant Secretary, Health Industry and Investment Division
Dr Robert Wooding, Assistant Secretary, Private Health Industry
Dr Vin McLoughlin, Assistant Secretary, National Health Priorities and Quality Branch

Ms Christianna Cobbold, Assistant Secretary, Health Capacity Development
Ms Perry Sperling, Director, Private Hospitals and Strategic Private Health Policy
Ms Christine Francis, Director, Insurance Policy Section
Ms Catherine Patterson, Director, Insurance Reforms Section
Ms Liz Lowrie, Director, Insurance Regulation and Quality Section
Mr Adrian Beekmeijer, Director, Private Hospitals and Strategic Private Health Policy

Office of the National Health and Medical Research Council

Mr Robert Wells, Acting Chief Executive Officer
Prof. Elspeth McLachlan, Acting First Assistant Secretary

CHAIR—I declare open this supplementary hearing of the Senate Community Affairs Legislation Committee considering the budget estimates for the portfolio of Health and Aged Care. The committee has before it a list of the outcomes relating to matters which senators have indicated that they wish to raise at this hearing. In accordance with the standing orders relating to supplementary hearings, today's proceedings will be confined to matters within the relevant outcomes.

Department of Health and Aged Care

CHAIR— I welcome the Minister representing the Minister for Health and Aged Care, Senator John Herron, the departmental secretary, Mr Andrew Podger, and officers of the Department of Health and Aged Care. Minister, do you wish to make an opening statement?

Senator Herron—No, thank you, Senator Knowles.

CHAIR—The committee will commence with issues relating to outcome 2, access to Medicare.

Senator WEST—The annual reports have come in since the last estimates and, therefore, it is appropriate that at this time we ask questions in relation to the annual reports as well. I do not have any on health but I do on some of the other ones.

CHAIR—You may. Are there any questions on outcome 2?

Senator CHRIS EVANS—Chair, could we start by having the normal discussion with Mr Podger about the answering of questions and the delay of such. Despite the discussion last time, Mr Podger, there still seems to be an awfully long delay in getting answers to a range of questions. What steps have you taken to respond to the concern we had about that? A lot of the questions still were coming in 10 to 12 weeks after the due date, and I think we received a stack again just before this round of estimates.

Senator DENMAN—Yes, last week.

Senator CHRIS EVANS—What is your view on that and what progress has been made in improving the turnaround?

Mr Podger—Senator, the department, as I mentioned last time, has a far bigger workload than most other portfolios, as do the ministers and ministers' offices accordingly. In the two hearings in May we took nearly 500 questions from the hearings. There have been some comparisons made with my colleagues in Family and Community Services. That department took significantly less than 100 questions. I should hasten to say that this is not an issue that this department takes more on notice than other departments. We have longer hearings than most of the other departments.

Just as members of this committee sometimes appreciate getting answers in groups rather than in dribs and drabs, our ministers and their offices also like to have a chance to manage

their affairs and consider draft answers in batches. So any delays between receiving the drafts from the departments and the ministers' offices and sending the finals to the committee are significantly related to trying to handle things in a more orderly fashion. The department itself on this occasion with the 500 has not delivered the material to the ministers' offices within the deadline as much as we had on the previous occasion, which is unfortunate.

I have a table here setting out what answers came to the committee by month from the hearings on 2 May and on 22 and 23 May. In summary, we had 77 answers in by the end of May, 131 by the end of June, 142 by the end of July, 151 by the end of August, 390 by the end of September, 456 by the end of October and 481 were in during the last few weeks. It is unfortunate that we are not meeting the timetable as well as the committee wants, but I would highlight that we did have 390 questions answered some seven to eight weeks before this hearing.

Senator CHRIS EVANS—Mr Podger, I would be happy if you want to table that. That would be useful for the *Hansard* record. That is, though, a record of when the answers were provided to the committee. Is that correct?

Mr Podger—That is correct.

Senator CHRIS EVANS—Do you have the similar figures for when those answers were submitted to the ministers' offices?

Mr Podger—I do not have it in the same format, Senator.

Senator CHRIS EVANS—On this occasion you are saying that the delay was not solely due to delay in the ministers' offices for the bulk of the questions, but I would be interested in what sort of time lag there is between you submitting them to the ministers' offices and their being received by the committee.

Mr Podger—I think it is fair to say that there were two key considerations involved. One was that there were delays in the department getting it to the ministers' offices, but also the ministers' offices and their officers clearly would prefer to handle the material in batches rather than in parts. So there was somewhat of a delay in the ministers' offices during the months of July and August in trying to get a batch together. That is reflected in the numbers coming across.

Senator CHRIS EVANS—Do you have a breakdown of when they went to the ministers' offices and when they came to the committee?

Mr Podger—I do not have that here. I can take that on notice and provide some material on it.

Senator CHRIS EVANS—I appreciate you doing that, Mr Podger. I am sure I will receive that in due course.

Mr Podger—I am doing my best, Senator.

Senator CHRIS EVANS—I know. The idea of your taking on notice a question about the questions you took on notice has a certain irony to it.

Mr Podger—I understand.

Senator CHRIS EVANS—No doubt we will discuss the timing of that answer next time. I am not trying to be mean. You will get that for us, and you have tabled the other one. I want to raise a couple of general issues relating to the answering of questions. I do not know if you can help me or whether I will have to take this up with Aged Care. The notion of protected

information seems to have emerged in the last few months—suggestions that information cannot be supplied to the committee because it is ‘protected information’. I think that is the term used. Are you aware of that? I may not have the terminology right. That is the word that stuck in my memory.

Mr Podger—I am sorry, I cannot answer that question directly. Can I wait until we get onto outcome 3? We can put that specifically—

Senator CHRIS EVANS—Yes. I thought I might raise it with you as a general issue, because certainly from my point of view the information we are getting back, particularly in aged care, is getting more obtuse, scarcer, and we are having this term ‘protected information’ used. The information that we were getting a year ago now is somehow protected or not available or difficult to obtain. I am interested in whether you, as departmental secretary, had knowledge of a change of policy or whether there had been any developments that we ought to be aware of.

Mr Podger—If I may come back to that on outcome 3, Senator.

Senator CHRIS EVANS—Okay. The other thing I wanted to raise with you in a general sense, while we are on this issue, Mr Podger, is that a number of times I have asked questions about polling and market research, particularly in relation to private health insurance, Lifetime Health Cover campaigns, et cetera. In successive estimates I have been advised, ‘We cannot release that information at this time, but the minister may be able to release it later,’ ‘We’ll take it on notice,’ ‘We’ll make it available when it’s available,’ et cetera. I can provide you with a list of those answers, if you like, on successive information about market research and polling and campaigns that have been conducted by the government and the research underpinning those campaigns, but it seems none of it ever does become available and I want to know, as a general question, whether that is because you have taken the decision not to release that information or whether or not it will become available and, if so, when.

Mr Podger—I think it is fair to say that we need to consider a process for handling this. The reason for not releasing it at the time is pretty obvious. It is, essentially, that the market research is to help in handling a campaign. If you release all the market research, that can be counterproductive to the whole process of running that campaign. The issue then is: when is that concern diminished? But then when it has finished what is the process by which one would make it available?

We have not actually sorted out an arrangement on exactly how we would handle making it available in 12 months, 18 months, whatever it is, after the campaign has been held. I think it is fair to say that we as a department have no guidance on that other than to say the issue should not be that it is not going to be made available but whether it is counterproductive to make it available during the stages when you are running campaigns. I do not think I can say more than that we need to work out a process by which that is handled more systematically.

Senator CHRIS EVANS—I see in the press another campaign is about to start—another \$10 million of taxpayers’ money. At some stage it seems reasonable for taxpayers and the Senate to have some understanding of the basis on which these sorts of decisions and expenditures are made. As an old party secretary, I know research shared is research wasted. I do think there is a time when it is appropriate for it to be released. We seem to be in agreement, but we do not seem to be making any progress and I seem to have been fobbed off on this on various occasions. This may well be because of your lack of policy, but what you said did not give me any hope that there is light at the end of the tunnel that some policy will be reached and some decision then made to release that information.

Mr Podger—My answer is that we do need to revisit our policy. In our policy on communications we have a specific provision to ensure we are doing it in a professional way, which says that, as a matter of principle, market research work ought to be made publicly available in due course. But, having decided to delay, we do not have within that what the procedures will be to determine the time in which one should revisit that. It is fair to say that we ought to fix that up, and I am happy to make a commitment that we will revisit those guidelines, and I can provide a copy of those revisited guidelines in due course.

Senator CHRIS EVANS—I wonder if I could press you a bit harder than that. I will supply you with a list of the research I have asked for and the occasions on which I have asked for it, and perhaps you could provide specific responses to those requests. On most of them I was assured at the time I would get it in due course or you would get back to me about having it released, and that never happens. While I am happy for the general policy to be formulated, Senate terms are only six years and I do not want to run the risk of my term expiring before that is finalised. The general policy sounds sensible, but I would like answers to those specific pieces of information we have requested. If you are not going to give them to me, I would rather you said you were not going to give them to me and then I can use other options available to me to pursue those if I want to, but at the moment I am waiting on your getting it back to me.

Mr Podger—Senator, if you give us that list, that will be fine. We will respond that way.

Senator CHRIS EVANS—Thanks for that. I want to talk about the Blandford report and what we are doing with the implementation of the Blandford report recommendations.

Ms Smith—Did you have any specific questions, Senator?

Senator CHRIS EVANS—The first thing is a general question. Where is the department at in implementing the recommendations of the Blandford report?

Ms Smith—At the present time we are establishing the monitoring and evaluation group, as the minister agreed to. Until that group meets we will not have considered in detail how we progress the recommendations. Their first meeting is scheduled for 12 December this year.

Senator CHRIS EVANS—What are they monitoring and evaluating?

Ms Smith—That is the name that has been given to the group. The terms of reference for the group go to things like monitoring data on a monthly basis for MRI, evaluating the current situation in terms of the number of units that are there and how they wish to then progress the specific recommendations, such as the ones that go to establishing seven additional units.

Senator CHRIS EVANS—Are you able to give us the membership of the group and their terms of reference?

Ms Smith—I can certainly provide you with their terms of reference and we can table that. The membership of the group in general terms is a person with expertise in radiology; a representative from the department which has been determined to be Dr Louise Morauta; Mr Geoff Leaper, the representative from the Health Insurance Commission; and we have approached ARMAC for a representative from the state and territory governments. We have not yet heard back from them but are expecting to in the next week. We have also approached the Health Issues Centre in Melbourne and a number of consumer health organisations to provide us with a consumer representative. Professor Richard Scotton, who was on the original review committee, has agreed to continue to participate as health economist, and Professor John Blandford has agreed to continue to chair that group.

Senator CHRIS EVANS—Did you say you have not appointed the radiologist as yet?

Ms Smith—Not yet, no.

Senator CHRIS EVANS—What is the selection process for that?

Ms Smith—We asked both the Australian Diagnostic Imaging Association and the College of Radiologists to provide us with their preferred nominees. We asked for three from each, and they then are giving us names and we will determine from that who to have participating.

Senator CHRIS EVANS—You are only going to select one out of that?

Ms Smith—Yes.

Senator CHRIS EVANS—Is that a ministerial decision?

Ms Smith—No.

Senator CHRIS EVANS—Whose decision is it?

Ms Smith—The decision will be made at the departmental level.

Senator CHRIS EVANS—The committee has not been established and has not met yet. As I understood the public announcement, the tender was to be let. Have I misunderstood that? I am not sure how those two interact?

Ms Smith—In the media release that came out at the time, yes, there was reference made to the process for tendering being started immediately. I think the way that it is actually going to work is through the monitoring and evaluation group, which the minister also announced. There may have been a little confusion on when exactly the tendering process would start. But it is intended that that monitoring and evaluation group will determine the detail of the tender process specifications, et cetera.

Senator CHRIS EVANS—Do I take it therefore that the tender process has not and will not start for a while?

Ms Smith—We are hoping it will start in the new year, maybe a bit earlier. It will really depend on what comes out of this first meeting on 12 December. There will be a lot of information that goes to that group about ways in which the tender may progress. The main thing to note is that it will be in accordance with Commonwealth procurement guidelines. That is really all I can say about the tendering process at this stage.

Senator CHRIS EVANS—Is there a decision to proceed with seven tenders or not?

Ms Smith—The decision was to have up to an additional seven units. A decision as to whether it is exactly seven has not yet been made.

Senator CHRIS EVANS—Who will make that decision?

Ms Smith—That will be the monitoring and evaluation group that makes that decision.

Senator CHRIS EVANS—Their brief will be to determine whether up to seven tenders will be let and how those tenders will be let.

Ms Smith—That is correct.

Senator CHRIS EVANS—What is the time frame for that tender process?

Ms Smith—That will also be up to the group to determine. I imagine that we would be looking to progress it as quickly as we are able.

Senator CHRIS EVANS—Why is there delay in getting this monitoring group up and running?

Ms Smith—Essentially we requested nominations to come back from groups by 6 November. We of course could not move to establish the group until the minister had made his announcement. Once that happened we put things in train reasonably to try and get the group established, but we have had to do a lot of follow-up work in terms of getting nominations, particularly for consumer representatives. Also the professional organisations have only just got their nominations to us finally.

Senator CHRIS EVANS—I have not seen the terms of reference yet. I appreciate you are tabling them, but what guidance is there in terms of the role of public hospitals in providing those MRI services?

Ms Smith—There has been a request from the minister to Professor Blandford to consider the way in which tertiary referral hospitals and MRIs should fit into the big picture of MRI. That will be an issue that the group considers separately to the tender arrangements.

Senator CHRIS EVANS—I am just trying to get it clear in my own mind how that works. Do you identify the need and then see whether a public hospital is interested in providing that service? I am just trying to work out how that meshes together.

Ms Smith—I do not have a lot of detail on it, merely because this is something that has been discussed with Professor Blandford—and he is certainly happy to take on that issue—to look at how MRI might be accommodated in tertiary referral hospitals outside of the tendering arrangements, given that a lot of evidence suggests that is where MRIs are best located in those big referral centres with a lot of comprehensive neurology services, et cetera. All I can say is that is an issue that Blandford's committee will be giving particular attention to.

Senator CHRIS EVANS—Because those may well be hospitals who do not currently have MRI machines.

Ms Smith—That is correct.

Senator CHRIS EVANS—What is the basis on which people will tender? Do they tender on the level of rebate they are prepared to accept or on a capital payment? What are they tendering against?

Ms Smith—I do not really want to make any comment about how they might tender. That detail is really going to be up to the group, but it would be those types of things, I guess, that could be considered.

Senator CHRIS EVANS—So there is no guidance to them about the tender process, other than the general Commonwealth procurement guidelines?

Mr Keith—The Blandford review gave an outline of the sorts of things that should influence where machines should be located. By and large, those will be used in the first instance. It is important that no distinction be made in calling for the tenders between public and private. Anybody, provided they meet those criteria, will be able to put in a tender.

Senator CHRIS EVANS—Why? You made it sound like the logic was obvious. I am sorry, Mr Keith, but why? Surely part of the tender process is about public need for MRI services.

Mr Keith—Indeed.

Senator CHRIS EVANS—So you might well want to make a decision about whether public hospitals ought to be given priority, mightn't you?

Mr Keith—That will be left to the ongoing evaluation group.

Senator CHRIS EVANS—The import I took from your answer was that market forces will prevail—the tender process will prevail. I am just trying to tease out from you whether or not that is the case.

Mr Keith—No, I do not think so. The Blandford report indicated that there certainly had to be a population base for the MRI machine to operate effectively. Also, they need to be part of a comprehensive practice and they also need to be in places where there are specialists who can give the appropriate referral base and use the technology. In a sense that becomes restrictive. In the main those people are located in public hospitals.

Mr Podger—The issue about whether public and private should both be able to tender has basically been to address a concern that some of the states have mentioned. They thought we were only going to go in and allow private. We are making it clear, ‘No, there is not going to be a restriction on publicly based people tendering for it.’ That was the issue.

Senator CHRIS EVANS—I accept that, Mr Podger. What I am really asking, though, is whether a decision has been made about public health needs, or is it purely left to the question of price competition in the tender process?

Mr Podger—No.

Senator CHRIS EVANS—A tender process implies that there will be some competition in the tendering process about the price they are prepared to pay or accept for providing the services. I am wanting to know what other criteria you are applying to that tender process and whether you made a decision about needs and about the value of public location versus private location.

Mr Podger—I think that some of the details, as were mentioned by Ms Smith, are still to be worked out through the committee, but I would not expect the criteria simply to be a matter of price. There will be a range of issues to do with access by people. We are saying the whole process was in order to improve access. Issues of access and criteria around that will be part of the tender process.

Senator WEST—What is the population base you are talking about?

Ms Smith—The base I think Mr Keith is referring to is what the Blandford review came up with—which indicated a population base to be serviced by an MRI should be greater than 150,000 people.

Senator WEST—How is that going to be worked out? This is not a silly question. I ask this question because I am aware that some of the locations, base hospitals in rural and regional areas, might only be 50 or 60 kilometres apart. I think Bathurst-Orange is the classic example. If you work your population base there, you would say that Bathurst-Orange only needs one, but when you look at where their catchment areas come from you will see a totally different picture. You could well have the same situation with Albury, Wagga and Griffith in that triangle. I want to know how this population base is going to be defined. How is it going to be estimated? Depending on how you do it, you are going to have all sorts of distortions taking place in rural areas and on the outskirts of the cities, I would suggest, too.

Mr Keith—I think that is understood, Senator. I am sure the committee will look at the catchment and service areas of the hospitals concerned, if indeed it is located in a hospital. Part of the tender process will be requiring the tenderer to demonstrate that, I imagine.

Senator WEST—Someone mentioned ‘in place’ and I was wondering about the issue of ‘place’ because I am aware of areas where there are CT scanners. You will tell me that there is a CT scanner available for people in a community and the numbers are right and it fits all the criteria, but the CT scanner is not located in the base hospital; it is down the street in the radiologist’s rooms and it is of absolutely no use to an intubated, unconscious patient, because you cannot really take them down with life support down to the CT outside the hospital. It would strike me, with an MRI, the most logical place, if you are going to avoid these problems and have it available to your acute A and E type people, is going to be in a public hospital, in the base hospitals. What is going to be the criteria and the logic behind the working out of the place or the actual location?

Ms Smith—For public hospitals, that is why that issue is being considered separately by the Blandford review. That is why that issue is being considered separately by the monitoring and evaluation group, because we do recognise that there are differences between the way in which a service is provided in a public hospital for MRI and the way in which it is provided in private practice.

Senator WEST—Yes, because that situation prevails in Bathurst with the issue of the CT scanner. The CT scanner is down the street in the radiologist’s rooms. It provides a good service, but if they have somebody who is unconscious up at the base hospital who is intubated, on a life support system, they cannot really logistically get them down to the rooms to do a CT scan. It might be a totally appropriate sort of test and, therefore, they have to be evacuated out somewhere else for ongoing treatment when it might well be that if it was in the base hospital—

Mr Podger—Senator, when talking indeed about CT scans in hospitals, the states can provide CT scans in hospitals and there is no restriction on them doing that. Similarly, if they wished to, they could set up MRIs in hospitals. The issue is under what circumstances an MRI can be claimed on MBS. It would be sensible and a rational arrangement, as we are putting in more MRI machines, to get more balance between the public and private, and that will come through, but in terms of the descriptions you are giving of the CT scanners I find it a little bit tricky to say there is an issue here for the Commonwealth if there are CT scanners down the road and the hospital has decided not to put one in the hospital.

Senator WEST—The issue is location. I am not getting into the issue of who owns it. I am getting into the issue of location, accessibility, which is one of the primary criteria of delivery of health care.

Mr Keith—Senator, I am confident that the committee will take those things into consideration.

Senator WEST—I am sure if they know they are going to keep getting belted in estimates every six months or so they will be conscious of that issue.

Senator Herron—May I support Senator West in the provision of services and perhaps ask a question. Has the committee given consideration to mobile MRIs as occurs in the US where it is put on a semitrailer—because of the intense magnetic rays and so on—and taken to a shopping centre car park at weekends? I think the essential point that Senator West is making is the provision in rural areas for MRIs, if radiologists are available. I think that is the point that is being made. Is the committee considering that? If a tender process were put forward for a mobile MRI to make it accessible to rural towns, has provision been made for that?

Mr Keith—I think the committee is likely to face that question, because I understand that there is currently an operator seeking to have a mobile machine receive benefit, so I would have thought that there is likely to be a tender submitted in that regard.

Senator DENMAN—Senator Herron has probably solved my problem, if that is possible. I was thinking of the west coast of Tasmania, which is very isolated. Our population is less than half a million anyway. It certainly would not slot into the 150,000 you are looking at. But is there consideration given to those very isolated areas? They do not even have a resident GP down there at weekends. They have someone fly in from Melbourne and fly home for weekends. If there was the possibility of doing what Senator Herron says, having a mobile MRI, that would solve those problems.

Mr Keith—One of the difficulties with that is that to receive MRI services there has to be a referral by a specialist, so the patient would have to travel presumably to Hobart, Launceston or Devonport to see a specialist and at the same time—

Senator DENMAN—No, the specialists go down there once a month.

Mr Keith—Right.

Senator CHRIS EVANS—We can expect to see caravans pulling MRI machines travelling round the country solving our problems.

Senator Herron—It can be done. It has been done. There is no reason why it could not be done in major centres.

Senator CHRIS EVANS—And we have a lot of people who, in order to get the rebate, are prepared to do something like that, I am sure.

Senator Herron—If you can afford the price.

Senator CHRIS EVANS—On a related issue, what is the Commonwealth budgeting for extra scans as a result of this tender process? Has a decision been made? Obviously the seven extra machines will mean extra scans being funded in terms of the rebate. How are we budgeting for that?

Ms Smith—I would imagine that, once the tender process, et cetera is a little way down the track, we will have a better idea of what the costs involved might be. We will certainly be doing projections on the numbers of scans that we would expect, say, up to an additional seven units to be doing, and we will be factoring that into any future budgets.

Mr Keith—I think also, Senator, that the Blandford review suggested that the seven machines were to improve access of people who currently had to travel a distance to receive their MRI, so we are not seeing a great increase in the projections of the number of scans.

Senator CHRIS EVANS—I thought you predicted about 175,000 scans. Wasn't he talking about \$8½ million for 475,000 extra scans from the machines?

Ms Smith—I think that was one of the projections that we made at one stage and that was in the Blandford report.

Senator CHRIS EVANS—Yes, you gave it to me in answer to a question on notice, I think.

Ms Smith—Yes.

Senator CHRIS EVANS—That would be in next year's budget, in the sense you would have a full financial year with the extra scanners next year.

Ms Smith—I am sorry, I missed some of that question.

Senator CHRIS EVANS—I gather from what you said to me about the timetable that the original tender was to close in June. I assume, therefore, that it is intended that the extra MRIs be on-stream in the next financial year. Is that right?

Ms Smith—Yes, that is right.

Senator CHRIS EVANS—But I suppose also that, if public hospitals who do not have MRI machines currently are successful in their applications, they would not come online for some time.

Ms Smith—If the hospitals do not already have an MRI, it usually takes a number of months to either order one or to get one moved into a hospital, yes.

Senator CHRIS EVANS—I suppose there might be a few on the market.

Senator WEST—I have a question relating to Western Sydney. Do you recall Minister Fahey issuing a press release in December 1998 promising that Liverpool Public Hospital would get an MRI machine? Apparently he said in the release:

Liverpool Hospital has been established as an underserved region and I expect the hospital to have an MRI as soon as possible.

Ms Smith—That announcement was made and the minister also announced that Liverpool would be considered as part of an adjustment and relocation scheme that at that time had been established. That was the context in which he was agreeing to their having an MRI unit.

Senator WEST—So Minister Wooldridge did make that agreement with the local member, Minister Fahey?

Ms Smith—He agreed that Liverpool was an area of need and he agreed, provided that the New South Wales Department of Health and the Department of Health and Aged Care were able to come to some arrangement under the adjustment and relocation scheme, that Liverpool could be considered under that scheme for an MRI.

Senator WEST—Could be considered?

Ms Smith—Yes.

Senator WEST—What has happened since then?

Ms Smith—The adjustment and relocation scheme was put on hold in October-November of last year when we were looking at the arrangements for MRI. Up to that point we had advertised the scheme nationally and we had received a number of applications from states and territories, including New South Wales, in respect of Liverpool Hospital. The scheme was then put on hold. We advised states and territories that this was the case at that time.

Senator WEST—What has happened to that scheme now?

Ms Smith—That adjustment and relocation scheme will not continue in the form that had originally been anticipated. Earlier I made reference to the minister requesting that Professor Blandford look at particular arrangements for tertiary referral hospitals, and that in effect is some kind of revival of the relocation scheme, I guess you could say.

Senator WEST—And are the units that are going to go to those tertiary referral hospitals part of the seven?

Ms Smith—No, that is additional to the seven.

Senator WEST—How many will be going there?

Ms Smith—I do not know. That will be up to the monitoring and evaluation group to determine, based on, I would imagine, applications or advice from states and territories.

Senator WEST—Have you no idea what numbers we might be looking at? Can you give me some ballpark figure?

Ms Smith—I do not have a particular idea at the moment, no.

Senator WEST—Do we have any idea how many tertiary hospitals there are at present who do not have MRIs?

Ms Smith—My recollection is that there are around nine.

Senator WEST—So we could be looking at an extra—

Ms Smith—I would not mind clarifying that, Senator, so if I could take that on notice—

Senator WEST—We could be looking at an extra 15 to 16 new MRIs rather than just seven. If you were going to tell me, ‘No, we’re not looking at an extra 15 to 16,’ we have about nine tertiary hospitals that do not have MRIs and an additional seven have been recommended by Professor Blandford, and seven into nine does not go.

Mr Keith—No, the adjustment and relocation scheme, as it has been revamped, is where schemes that already are eligible for benefits will relocate in tertiary referral hospitals.

Senator WEST—Who will be running them? Will the private radiologists be running them or will they be part of the public hospital—

Mr Keith—That will be for agreement between the hospital and the state government and what arrangement they come to with people who already have eligible machines.

Senator WEST—Only those who are eligible to get the rebates now will be eligible to participate in this scheme?

Mr Keith—Yes.

Senator WEST—Nobody in that group of 60-odd MRIs that we were pursuing at previous estimates that fell into the May 1998—

Mr Keith—The ones that are ineligible currently.

Senator WEST—Yes. Is that group eligible for this scheme?

Mr Keith—No.

Senator WEST—Do we know when this tertiary hospital group of MRIs is going to be introduced, on the ground and running?

Ms Smith—Again, that would be subject to how it gets played out in the monitoring and evaluation group.

Senator CHRIS EVANS—I have looked at the terms of reference for the monitoring and evaluation group. Can I just be clear who the decision makers are, though, here and whether they are making recommendations to the minister or to the department or whether their decisions are final and binding. They are obviously going to be doing some of the evaluation work, but where does the buck stop and who makes the decisions?

Ms Smith—The monitoring and evaluation group will be coming up with recommendations that will go to the minister.

Senator CHRIS EVANS—At the end of the day, the minister will make those decisions?

Ms Smith—Yes.

Senator WEST—How far into its work is the monitoring and evaluation group?

Ms Smith—As I said before, they have not yet met. They will be meeting on 12 December.

Senator WEST—But we now have all of the—

Ms Smith—The members.

Senator WEST—names?

Ms Smith—Just about.

Senator WEST—Who are we missing?

Ms Smith—We are at the moment missing a state representative, but I understand that ARMAC will be providing us with one probably this week, and the radiology representative has not yet been determined.

Senator WEST—That is going to be interesting, isn't it, given that a whole lot of the radiologists were under investigation? Are we going to have a radiologist who was under investigation on this group?

Ms Smith—I cannot answer that question, Senator. I do not know who was under investigation.

Senator CHRIS EVANS—Given that the DPP has not decided to proceed with those charges, has there been any assessment of where that leaves the department now, in the sense of decisions to revoke access to the rebate, et cetera? I want to know whether there are any legal implications for the department or where that leaves you in the sense of potential damages claims from those who had their access to the rebate removed. I just wondered whether there had been any assessment done of the department's legal financial risk position and whether or not there were any claims afoot now by radiologists to have their access to the rebate reinstated.

Mr Borthwick—As far as I am aware, there are no claims against the Commonwealth, but our advice is that claims would be unlikely to succeed in any event.

Senator CHRIS EVANS—At this stage you do not have any claims made against you.

Mr Watzlaff—I understand a question was asked about the department's liability and the answer was in terms of the Commonwealth's responsibility. I have mentioned previously that there have been some actions brought against the HIC. One was in the Federal Court, which was discontinued, and there were two applications to the AAT, and both of those were discontinued as well. So at the present time there are no claims against the Health Insurance Commission.

Senator CHRIS EVANS—I probably asked the wrong question and Mr Borthwick gave me the correct answer to the wrong question. It is the HIC which is liable to be the subject of any proceedings, is it?

Mr Watzlaff—The Health Insurance Commission administers the MRI arrangements, so the decisions as to eligibility and things like that in individual cases are the responsibility of the HIC.

Senator CHRIS EVANS—You have had one Federal Court proceeding and a couple of AAT proceedings, all of which have been discontinued. Were they seeking damages or reinstatement of their access to the rebate?

Mr Watzlaff—The latter. They were seeking orders that the commission had improperly exercised its discretion in receiving the application and treating the application.

Senator CHRIS EVANS—But I thought that was done by the minister by regulation rather than by the HIC.

Mr Watzlaff—The regulations are certainly made by the government, but in administering those arrangements individual factual situations are put to the HIC and those individual applications will be considered by the HIC. For example, if there were a concern about the contract being backdated and things of that kind, that would be an issue for the HIC to say, ‘Well, that document has been lodged by us, but we don’t accept it at its face value because we have evidence to say that it wasn’t entered into on the date it bears.’

Senator CHRIS EVANS—Given that prosecutions are not to be proceeded with, is there therefore a group of potential firms, radiologists, who may want to challenge that decision?

Mr Watzlaff—That is so. They certainly may want to challenge the decision. Some of them are saying that they made an application on the basis of certain documents, but they actually have other documents that they now want to put before us to show that their original application was not what it purported to be.

Senator CHRIS EVANS—I do not want to dredge up all our old discussions about all of this, Mr Watzlaff, but, as I understand it, you effectively ruled out access to the rebate for a number of operations because of concerns about them failing to meet the original criteria. Are you saying to me that if they can successfully prove now that they met the original criteria they could then be able to access the rebate?

Mr Watzlaff—That is possible, yes.

Senator CHRIS EVANS—The effect of the regulation is not to rule them out automatically, then, if in fact they can prove that they met the criteria at the time.

Mr Watzlaff—Some are saying that there were other factual issues that they did not submit to us at the time that they submitted their applications. For example, some are saying, ‘We lodged an application on the basis that we had a contract. That was shortly before budget night, but we had another contract that went back prior to the revised commencement date of 10 February.’ In other words, they are saying, ‘Our application that we put to you was not really the right application. We now want to revisit that and put additional material to you.’

Senator CHRIS EVANS—How many applications of that sort have you received so far?

Mr Watzlaff—There are two cases in that particular situation.

Senator CHRIS EVANS—There are two cases which have new material that they want to put before you to access the rebate. Was there a group of applications that were rejected on the basis that you did not think their claims were legitimate who are now able to reapply?

Mr Watzlaff—No.

Senator CHRIS EVANS—Why is that?

Mr Watzlaff—In terms of ‘reapply’ on the present arrangements, they are now cut off because the application dates are cut off. So they cannot make a fresh application.

Senator CHRIS EVANS—No, I am sorry, I did not phrase that correctly. On the basis of their old application, you had concerns with some of them about the authenticity of or other question marks about their applications. Many of those were referred to the DPP. Do I

understand, given that the DPP is not proceeding with charges, that it is competent for them to then seek to pursue that original application, as it were?

Mr Watzlaff—I am sorry, these are not people we referred to the DPP. These are other people that just basically lost their entitlement because of the change in the regulation.

Senator CHRIS EVANS—What about people whom you had referred to the DPP?

Mr Watzlaff—Their situation is that they are not able to claim because the regulation took that right away from them.

Senator CHRIS EVANS—What if, as part of their original claim, they had met the criteria, or claimed to have met the criteria of having a contract prior to that cut-off date?

Mr Watzlaff—They do not.

Senator CHRIS EVANS—Why don't they?

Mr Watzlaff—Because they were in the period from 10 February to 12 May.

Senator CHRIS EVANS—So all of those who were referred to the DPP fell within that window?

Mr Watzlaff—That is right, yes.

Senator CHRIS EVANS—So the only applications you have from providers that are live, as it were, are those that claim to have evidence they had entered into contracts prior to 10 February?

Mr Watzlaff—That is right.

Senator CHRIS EVANS—And they are the only ones who have an opportunity to access rebate under current conditions?

Mr Watzlaff—No, they cannot access unless their applications or the revised applications, as it were, are successful.

Senator CHRIS EVANS—But they are the only ones who have a window of opportunity, in a sense?

Mr Watzlaff—A potential, yes.

Senator CHRIS EVANS—Without a change in the regulation.

Mr Watzlaff—That is so.

Senator CHRIS EVANS—And there are two of those currently on foot?

Mr Watzlaff—Yes.

Senator CHRIS EVANS—Were either of those subject of referrals to the DPP?

Mr Watzlaff—No.

Senator CHRIS EVANS—What is the HIC's advice about your exposure to potential claims for damages or the sorts of actions we discussed before?

Mr Watzlaff—There is nothing current at the moment.

Senator CHRIS EVANS—Do you think there is a potential for more claims to come in?

Mr Watzlaff—I really cannot answer that question because I do not know what is really out there and what people are considering, but we do not have anything on foot at the moment.

Senator CHRIS EVANS—I am just trying to see where we were left with those people who were referred to the DPP and then charges were not pursued. Effectively their applications are null and void, I suppose, because of the regulation. Is that right?

Mr Watzlaff—That is so, yes.

Senator CHRIS EVANS—Maybe I am not asking the right question. I just want to understand what the status is of those applications, I suppose. As I understand it, therefore, the dropping of the prosecution by the DPP has not had any impact on their relationship with you in any real sense.

Mr Watzlaff—It does not restore their rights to claim, no.

Senator CHRIS EVANS—So the only live issues for you are these two applications?

Mr Watzlaff—That is so.

Senator CHRIS EVANS—And any potential for further action lies with the courts or the AAT for damages, but at this stage all current actions have been dropped?

Mr Watzlaff—That is so, yes.

Senator CHRIS EVANS—Was the Commonwealth Department of Health and Aged Care a party to those actions as well, or was it purely the HIC?

Mr Watzlaff—Purely the HIC.

Senator CHRIS EVANS—Thank you for that.

Senator CROWLEY—Can I just be sure that if anybody turns up at a privately owned MRI they can be treated as a public patient and charged nothing more than the rebate? Access to me is not just geographical access but affordability. I just want to know that public patients will be eligible for public treatment as in no extra cost to pay, no gap, if they go to any and every MRI.

Ms Smith—My understanding is that where people go to a private MRI unit the way in which they are billed is dependent upon the way in which that practice bills its patients. That may well include bulk-billing for public patients. My understanding is that it is subject to the way in which they bill their patients.

Senator CROWLEY—So we cannot say to public patients, ‘You will be guaranteed no gap’?

Mr Podger—So that I can understand the question, are you talking about somebody who is an inpatient in a public hospital as a public inpatient who then has an MRI?

Senator CROWLEY—No, I am just talking of a strolling player who is referred. I would presume that in a public hospital they would have access to the MRI at no further cost to themselves.

Mr Podger—But I am not too sure what you mean by a ‘public patient’ who isn’t—

Senator CROWLEY—One with no private insurance.

Mr Podger—somebody who is an inpatient in a hospital, who is a public patient in that hospital. Anybody else getting a service, anybody going to a GP or anything else, will be handled in the normal way. They may get bulk-billed, depending on the practice of the doctor. Then they go to a specialist who may or may not bulk-bill. The same thing operates with MRI. The difference is that now they can have an MRI and get a medical benefit rebate. But

whether they are still left with a co-payment, the co-payment is a lot lower than it had been previously.

Senator CROWLEY—Thank you for that clarification. Take me then to the hospital. I have received letters, in answer to questions to you, about people who have gone to a public hospital for an X-ray. They discovered that the X-ray service subsequently billed them for the gap for their X-ray in a public hospital. Can I be assured that this won't be happening with the MRIs?

Ms Smith—I am just trying to think of the mechanics. In a public hospital if a patient has an MRI and that MRI is an eligible unit—

Senator WEST—If somebody has something happen to them and they end up in A and E or outpatients, still being treated by the hospital—they are not inpatients; they are still at the hospital—and they get referred for an MRI or whatever. That is the sort of person.

Mr Maskell-Knight—I am not quite clear what we are getting at here. If someone arrives at Accident and Emergency and requires diagnostic imaging services, they ought to receive them free of charge. To the extent to which the states are not doing that, they are in breach of the health care agreements. To the extent to which they are billing Medicare for services provided to public patients, then the Health Insurance Commission would take an interest in them. Mr Watzlaff has, on earlier occasions, informed the committee that moneys have been recovered from public hospitals.

In relation to outpatient services, the health care agreements provide that where a person is referred to a named doctor who happens to be exercising rights of private practice in a hospital then they can be charged against Medicare, and their radiology services may be charged against Medicare as well. In relation to MRI services, I think there is a slight distinction there. I might get Mr Keith to elaborate.

Mr Keith—The distinction is that for MRI services, under an agreement with the states, they were allowed to charge and seek a benefit for MRI services. As far as I am aware, in the majority of cases, patients are bulk-billed for those services where a public hospital seeks to charge for MRI. But there is no compulsion on the hospital to do that.

Senator CROWLEY—Under an agreement with the states, you said.

Mr Keith—Yes.

Senator CROWLEY—An agreement between the states and?

Mr Keith—The Commonwealth.

Senator CROWLEY—I just wanted it to be clear. It might have been with the MRI people. So you cannot say, and you cannot assure me, that everybody who wants and MRI in a public hospital will necessarily have no extra cost to pay, apart from the rebate?

Mr Keith—No.

Senator CROWLEY—I think that is discomfiting.

Senator CHRIS EVANS—That is in fact the issue we were raising earlier about the extension of MRIs, the seven under tender, and access of public patients to those services. What happens currently if there is no MRI at a public hospital but there is a privately run MRI available nearby and a patient in a public hospital requires an MRI?

Ms Smith—It may be that the hospital chooses to provide that service for the patient, so they would pay the private practice, or the patient may be required to go and get that service at the privately owned MRI and pay whatever that practice charges.

Senator Herron—I am aware, Senator Evans, of one teaching hospital in Queensland that contracted to the private hospital which had the MRI to bulk-bill public patients that were sent to the practice. But I am only aware of one.

Senator CHRIS EVANS—I am just trying to work through that. That is part of the debate about where other MRIs ought to be located. It is important, I think, for the record to understand how patients will be billed in those circumstances.

Senator CROWLEY—Access is a matter of affordability, as well as geography. I would have thought you were trying to look at a reasonable distribution, not all located in one place. But if, indeed, people are referred to or taken by ambulance to MRIs and then find they are not funded in the same way they have more to pay.

Mr Podger—It seems to me it is worth while clarifying this. The original arrangements, prior to the government's changes, had a number of machines—I believe it was 18—in public hospitals under an agreement between the Commonwealth and states. If the patients accessing those machines were inpatients, my understanding is that they were treated as part of the hospital and there was no charge. If they were an outpatient in a public hospital—and this goes back a number of years—the agreement was that the states could charge the Commonwealth for that. Indeed, there was a possibility of them charging the patient some money for that. My understanding is that that was not common; I do not know whether it actually happened at all. But that was the provision in the agreement between the Commonwealth and the states around the original arrangements.

With the changes that have happened over the last two years, the government has now said that there will be medical benefits far more widely available. Previously a lot of people would have gone to a private MRI arrangement and paid the full amount of the charge. Now they get a substantial medical benefit and, therefore, their access has been improved, exactly as you are suggesting, Senator, because access is an issue of price. The price for the patient has dropped dramatically for those who were going to private practice arrangements in the past. When we are talking about the further machines that we discussed earlier, this issue of access is clearly going to be on our mind as an issue of price, as well as geographic access. Those are considerations for us.

Senator CROWLEY—I think that does cover it, but I am very concerned about whether, as in the past when some of these pieces of equipment are provided not necessarily at a public hospital, public patients will be able to get those services provided for no extra cost to them. If there is anything further—and I do not think there is—on how these will be charged, I would appreciate that, Mr Podger.

CHAIR—Any further questions on MRIs?

Senator WEST—Nothing on MRIs. PET, positron emission tomography, probably relates a little bit to this. I understand that the issue of approval for the Medicare rebate for PET scanners is on hold. Is that correct?

Mr Keith—No.

Senator WEST—It is not?

Mr Keith—No.

Senator WEST—What is happening with it then?

Mr Keith—There are currently rebates paid to two centres for PET and that has been the case for at least two years. Those rebates continue to be paid.

Senator WEST—But there has been nothing further approved since early 1999. Is that correct?

Mr Keith—That is correct.

Senator WEST—That is what I said.

Mr Keith—I am sorry, I misunderstood you.

Senator WEST—The introduction of PET scanners is on hold, or the approval for Medicare. So which two centres attract the Medicare rebate?

Mr Keith—The Royal Prince Alfred Hospital in Sydney and the Austin hospital in Melbourne.

Senator WEST—Has the department received a report from the expert panel appointed to make recommendations about whether a Medicare rebate should be established for positron emission tomography?

Mr Keith—It has.

Senator WEST—What has been the outcome of that report, or what did that report say?

Mr Keith—The report indicates that there should be seven PET machines having access to rebate and those would be distributed throughout Australia.

Senator WEST—That was the recommendation, was it?

Mr Keith—Yes.

Senator WEST—Is it possible to have a copy of that report?

Mr Keith—Certainly. It currently is on the department web site, but I am happy to provide it.

Senator WEST—Oh!

Mr Keith—Boom, boom!

Senator WEST—Give me a couple of minutes. Yes, okay.

Mr Keith—I'll just have it blocked now!

Senator WEST—I have been known to check web sites when you have told me that. The recommendation was seven Australia-wide. Has that recommendation gone to the minister?

Mr Keith—Yes.

Senator WEST—When did it go to the minister?

Mr Keith—Can I take that on notice. I do not have that information with me.

Senator WEST—Has it been there for a while?

Mr Keith—No, it is quite recent. The department is to commence discussions with the states about their response to the report.

Senator WEST—Given that you have six states and two territories and a recommendation of seven PETs, it would appear that each state and territory is not going to get one. Presumably there is a population basis required for this as well.

Mr Keith—Yes, and the access of the specialists who would require the information. It is important to realise that MSAC—Medicare Services Advisory Committee—in recommending that PET be placed on the medical benefit, decided to do so in a restricted way because they are not convinced of its cost-effectiveness and, therefore, it is looking for a limited roll-out. Part of the conditions surrounding that is that data will be collected so that further investigations can be undertaken.

Senator WEST—What does PET do that other forms of investigative procedures cannot do?

Dr Primrose—PET, as it is currently used in Australia, is useful because you can label glucose with fluorine 18 which is a positron emitting radioisotope. The practical application of that is that you can use it for those lesions in the body that uptake a lot of glucose, much more than normal tissues, and this is because in biochemical terms they are using anaerobic glycolysis rather than aerobics or respiration. In practical terms, that means it is very useful for detecting certain types of tumours, because tumours are not very efficient metabolisers and so they need to take up a lot of glucose to maintain their cellular functions. It is also useful for conditions where you have ischaemia—in other words, reduced blood supply—but where the tissue has not died.

That would particularly apply to those areas of the heart which have reduced blood supply but have not completely died off. As an example, you could use PET to detect secondary deposits from non-small cell lung cancer. This is particularly of value, because in this condition, which is a highly aggressive condition, the tumour can spread widely through the body but the distant deposits might not be detected by conventional staging investigations. However, if you can show the presence of those small secondaries as hot spots on a PET scan, it means that the patient does not need to have radical surgery or radical radiotherapy for a condition that is, by current medical technology, quite incurable. It does not mean that you save any more people, but it does mean that people have a better quality of life by avoiding very aggressive cancer therapy when it is not going to cure them.

Senator WEST—Do we have some idea of what the process is going to be in identifying the remaining five sites for PETs, presuming that you continue to keep one at the Austin and one at the Royal Prince Alfred?

Mr Keith—The recommendation of the report is that these should be tendered; therefore, a tender process will be put in place.

Senator WEST—Do we have any guidelines for the tendering and the criteria?

Mr Keith—Again, in the report they were quite specific about the arrangements around that. The report has indicated about the distribution of services that there should be two facilities in New South Wales, which should include the Capital Territory, two facilities in Victoria, which includes Tasmania, one facility in Queensland, one in South Australia and one facility in Western Australia.

Senator WEST—What are the current funding arrangements for the two existing PETs?

Mr Keith—They receive benefits under a 3C determination, which restricts it to those two particular centres. I think, from memory, they are paid about \$2,500 per scan.

Senator WEST—It is not cheap technology.

Mr Keith—Given that it was restricted to two centres and given the unproven nature of the technology, I think that is right. I think there have been changes since, which could see the price being drastically reduced.

Senator WEST—Do we know what the current demand is for access to these two? Is there a waiting list?

Dr Primrose—Yes, there is a waiting list for access to these. I am not sure what the time period would be. It would probably vary between the two sites.

Senator WEST—With non-small cell carcinomas of the lung, you would not want to be waiting too long, would you?

Dr Primrose—That is true. They would have to prioritise their access to the different things. There are other conditions such as melanoma, which MSAC also thought would be useful for this, but they are also doing a research program, looking at conditions like lymphoma and so on. So they are quite active. Of course, many patients do present with clear evidence of spread of their tumour, so the PET scan would be quite useless there.

Senator WEST—But I think we heard earlier that the report made the comment that it was uncertain as to what the cost-effectiveness of the PETs was. Is that correct? But there is a waiting list for the existing two. What guidelines—I hate to use the word ‘restrictions’, so what criteria—are you going to put in place to ensure that you are getting appropriate referrals and appropriate use of these scanners? If you are looking at a \$2,000 a time hit as the cost and you are going to be using this a few times a day, you are going to quickly run up into the millions of dollars for this. Given that Dr Primrose is saying that in some areas it is very good but that the report says cost-effectiveness is uncertain at this stage or not of great value, how are you going to stop inappropriate referrals and inappropriate use and a blow-out occurring, having been down this path with MRIs, with CTs, with all sorts of latest technology? How are you going to ensure appropriate use?

Dr Primrose—Fortunately, we have got ahead of the game with positron emission tomography. The Medicare Services Advisory Committee has indicated a list of clinical indications for positron emission tomography, which are quite detailed, and we can provide that for you. In fact, it is in the report that you are getting anyway. For, say, non-small cell lung cancer, it would be non-small cell lung cancer with no evidence of distant dissemination demonstrated on CT scanning of the brain, chest and abdomen and in whom the patient is being considered for radical surgery or radical radiotherapy. It would be fairly highly restricted patient populations.

For the different indications, there was some variation in the level of evidence. Small cell lung cancer would probably be the highest one. For some of the others, such as recurrent brain tumours, there is perhaps a bit less evidence. But it is hoped that, with the accumulation of data from these centres, particularly the research based ones such as the ones at Prince Alfred and the Austin, they will be able to answer these questions.

In addition, the Diagnostic Imaging Research Program has provided a research grant to Dr Terry Jackson, who is a health economist, to look at the cost-effectiveness of positron emission tomography. She is working with the investigators at Peter MacCallum hospital, who are doing a retrospective review of their experience with PET, and she is going to do the economic evaluation associated with it.

Senator WEST—You have told me that there are two in the public sector. How many are there in the private sector?

Dr Primrose—There are two that are funded at the moment in the public sector. There is also one at Peter MacCallum Cancer Institute in Melbourne, which is not receiving Medicare rebates at the present time. In the private sector there is a PET unit at the Wesley Hospital. I

do know a number of other hospitals, both public and private, that were interested in putting them in. Perhaps I could hand over to Leonie to see if there is any updated information on that.

Ms Smith—The only thing that I thought I would mention is that the report does talk about only having specialist and consultant physician referral for PET. In terms of funding arrangements for PET in the future, the steering committee in this report has recommended that that be considered in the context of the nuclear medicine imaging agreement which the department holds with the Australian and New Zealand Association of Physicians in Nuclear Medicine.

Senator WEST—Where is the Wesley Hospital?

Mr Keith—That is in Brisbane.

Senator WEST—Basically, you already have two. Whilst only one is being publicly funded in Victoria, you basically have two.

Mr Keith—I understand that the Royal Adelaide Hospital has just purchased one, too.

Senator WEST—Are we totally sure of how many machines there are out there?

Mr Keith—We could not be categorical, no, but we know how many are receiving benefit.

Senator WEST—Yes, but we are not totally sure how many are out there.

Mr Keith—We are fairly confident that there are not more than that, but we cannot be totally sure.

Senator WEST—I can just see, down the track, say, two years, when we have the seven in place, that we will be seeing *A Current Affair* programs with people saying, ‘Oh, I can’t get access to this machine,’ whether it is appropriate or not appropriate, and doing the old sob story act. How are we going to overcome this?

Mr Podger—The policy we have is trying to be firmer about our guidance on effective use, cost-effectiveness and appropriate ranges around that. These sorts of problems will always be with us, Senator.

Senator WEST—How are you going to undertake—you or we—making sure the medical profession are making appropriate referrals?

Dr Primrose—MSAC has indicated those clinical indications for which there is good evidence that PET has sufficient diagnostic accuracy. There is evidence that affects clinical management, evidence that that translates into health outcomes and that there is some economic evidence. So when the subsidy arrangements are put in place it will certainly make it clear that those guidelines are there and the reasons for them. The Health Insurance Commission would have a role in assessing compliance with those guidelines. So it would be a combination of regulation and education as we usually do.

Senator WEST—How many approaches have you had to the publicly funded ones above and beyond the existing two?

Ms Smith—There have been some representations made where people have said they believe PET should be expanded.

Senator WEST—How many?

Ms Smith—To my knowledge there have been two.

Senator WEST—Can you say from where?

Ms Smith—One from Tasmania, I think, and one from the Wesley in Queensland.

Senator WEST—How long do you think it will be before you get the tender process under way?

Mr Keith—The tender process will be under way early in the new year.

Senator WEST—I presume that the MSAC report outlines steps that are to be taken to ensure the integrity of the assessment process for the issuing of approvals?

Mr Keith—Indeed it does. It is a very technical report. I can recommend it to you.

Senator WEST—Thank you. If I were not asking you questions, I would be reading it. So there will be requirements for declarations of pecuniary interest and commitments to confidentiality from the participants of the assessment panel?

Mr Keith—Indeed.

Senator CROWLEY—I wanted to ask some questions about health care costs access for migrant parents.

CHAIR—Senator Crowley has another question on what actually happens to emails of former staff. Given that that cuts across all outcomes, I am seeking your advice as to where you would like that handled, and maybe if the question was asked now the answer would then in fact apply to all the outcomes.

Mr Podger—On the first question Senator Crowley has asked, that is under outcome 2, so we can handle that here. I am not quite sure I understand what the question is on the issue of emails, but maybe we can hear the question and if we cannot answer it straightaway I can get people to look at it during the day and come back with an answer this afternoon.

CHAIR—Senator Crowley, maybe you would like to do that one first so that we can get a guide as to where we go on that, given that the other one is okay under outcome 2.

Senator CROWLEY—Thank you, Madam Chair. The questions I wanted to ask concern really the department's approach to email. I had not at this stage intended to pursue anybody too rigorously. I was really interested to find out what the department's policy is—and I will take these on notice—to deal with correspondence by email. The first question is: how many do you get that you possibly count and, importantly, has the department established a procedure to deal with what I would call first-class correspondence by email?

Mr Podger—If I may, I have got some people returning late this afternoon—because I was given notice that there may be some questions on IT issues as well. If I have my corporate people there at that point we could answer that question, and what I will do is give them notice now that that question has come through and they can prepare for that time. I was told Senator Lundy may be coming later in the afternoon.

CHAIR—That is correct. I was going to mention at the end of outcome 2 that Senator Lundy will be coming in near the end of Health to ask specific questions on IT. Once again, we know that they cut across all the portfolios, but it is difficult to do that right across the day.

Mr Podger—If the committee is happy, I will have some of the corporate people here at 5 o'clock to answer Senator Crowley's question as well.

Senator CROWLEY—Could I then just add a couple more. The answers of course may lead to more questions, but I have been interested to discuss with some of my colleagues, Labor and Liberal, what they are doing with constituent letters to the minister. For example, it

is very easy to press a button to get a route to the minister's office, but that letter now is not signed by me and it certainly has not been treated in the way I have previously treated all correspondence on behalf of constituents to the minister. I would be interested in whether the department has actually established any procedures to deal with forwarded emails. Do you have a way in which you are requiring encrypting of signatures or anything of that sort, or are you still replying to correspondence that comes by email in hard copy? So I would like to know what the department has done about dealing with your first-class correspondence. I am not wanting to know how many emails you get advertising all the things that none of us want, but I am concerned about the security or the fact that, if I write a letter and it goes above my signature, at least I am going to be able to speak to that. If a letter is forwarded on email that says it came from me or my office, you would like to think that was secure, but it is not beyond the wit of people to vary some of those things. Also, given some of the information that I read in the paper—which is very much more a question for Senator Lundy to be asking—what kind of protection do you have for correspondence? How far do you chase your cookies and pixels? It is just that I know you can get into cookies and find things that were long since thought to be gone.

Mr Podger—Senator, we will take that and have people here to answer that as best we can at 5 o'clock.

Senator CROWLEY—Can I ask the other ones. If it does not take long this afternoon, I will take them on notice. I wanted to ask you about the problem of parent migration and the basis for the estimates used by the department of health for the cost of aged parents being about \$6,000 per year.

Mr Maskell-Knight—The estimate was based on the average Medicare utilisation of the over-65 population, which is around \$750 per year; the average hospital utilisation of the over-65 population, which works out at about a little over one case mix weighted separation per capita per year, which is about \$2,575; an estimate of about 26 scrips per year at an average cost of \$30 under the PBS, which is \$780 per year; and an estimate of the average cost of residential aged care based on the fact that there are about 90 places per thousand persons aged over 70 and the average cost of a residential aged placement is \$24,800, giving you an average annual use figure of \$2,235. That works out at over \$6,300 per year, but for the sake of keeping the argument simple it was rounded down.

Senator CROWLEY—That is not a total cost of health care, nor the direct cost paid by government, but an estimate of the average expected use of somebody over 65.

Mr Maskell-Knight—Yes. It does not include all the private expense of health care relating to dentistry, physiotherapy, over-the-counter drugs and all those sorts of issues.

Senator CROWLEY—Thank you. In your calculations do you anticipate that any proportion of those categories of costs would be paid by the person as co-payments?

Mr Maskell-Knight—We are just looking at the direct cost to the government, Senator.

Senator CROWLEY—Did you do any work on whether any of those costs would be met by a private health fund if the person had health insurance?

Mr Maskell-Knight—If a person had health insurance, then some element of the hospital and medical costs would be met.

Senator CROWLEY—Did you make a guesstimate of how private health insurance would reduce that cost?

Mr Maskell-Knight—No.

Senator CROWLEY—What was the basis for converting the estimated cost of \$6,000 per annum to \$200,000 over an average subsequent life span of 20 years?

Mr Maskell-Knight—I was not aware it had been converted that way and I am unaware of any estimate of \$200,000. Certainly the ABS data says that males aged 65 can expect to live to be 81 and females can expect to live to be 85. Given that under the migration legislation, as I understand it, aged parent migrants can actually come in a little younger than that, the estimate was made that the average life span would be about 20 years. The figure I am aware of that I have seen Minister Ruddock using I think was 120 rather than 200.

Senator CROWLEY—And that is just a simple multiplication?

Mr Maskell-Knight—Yes.

Senator CROWLEY—Do you know where the figure 200,000 came from?

Mr Maskell-Knight—I have never heard of it, Senator. I cannot comment.

Senator CROWLEY—Has the department done any research on the health cost of migrants as compared to non-migrants?

Mr Maskell-Knight—No, not that I am aware of.

Senator CROWLEY—Effectively no?

Mr Maskell-Knight—Not that I am aware of, Senator. It is possible someone else in the department may have and it is possible the Institute of Health and Welfare may have, but I doubt it. It would be a difficult thing to do, based on government records because since the last 10 or so years I believe the Health Insurance Commission has been recording people's country of origin. That does not necessarily say when they arrived in Australia. Before 1990 I think there is no record of what the country of origin is for people that were involved in Medicare. Similarly, while the states may collect country of origin, I do not believe it is a nationally consistent collection in terms of hospital usage.

Senator CROWLEY—And have you tick-tacked with the Department of Immigration and Multicultural Affairs on this assessment of costs for elderly parents under the parent migration scheme?

Mr Maskell-Knight—Yes.

Senator CROWLEY—Have they been able to give you any suggestion that maybe elderly migrant parents might be a higher likelihood of costs, anecdotal rather than hard data?

Mr Maskell-Knight—No, Senator. One can speculate at great length about what the cost of this migrant group is likely to be. About 40 per cent of the potential aged parent migrants come from China, and you can take two views about that. One is that because they have come from a Chinese background their health is likely to be worse than the Australian average. The other view is to say that to survive to be an aged parent migrant coming from China you have to be pretty healthy to start with. And, similarly, one can speculate about other countries of origin.

Senator CROWLEY—I think those are—I am not sure whether I can say this but I will—useful speculations. I wondered whether your department or whether the department of immigration have done any work to test either of those.

Mr Maskell-Knight—No.

Senator CROWLEY—We have not been following aged parents who have been arriving and discovering that they are all coming to Australia and collapsing very quickly?

Mr Maskell-Knight—We have not, no.

Senator CROWLEY—Are you planning to?

Mr Maskell-Knight—I had not been and, indeed, based on what I said before, given that a sizeable chunk of the costs are actually hospital costs which are controlled by the states and, as I said, the states, as far as I know, do not actually ask people admitted with a broken hip, ‘Which country did you come from and when did you come?’ it would be a major data collection exercise.

Senator CROWLEY—I appreciate those points, but we are talking about considerable thinking regarding parent migration schemes, and some of that thinking and planning properly has been to look at the costs of that program or the possible costs of that impact. So I am really trying to tease out, Mr Maskell-Knight, how much the health department has done and how it has arrived at those figures. It might be tough, but if the department has been taking country of origin for the last 10 years have you been getting any data associated with that which you are now aware of that you were not before?

Mr Maskell-Knight—We have not, no. We could investigate that. Again, that would give us a handle on the Medicare benefit costs but not on any other element.

Senator CROWLEY—I suppose it is possible that some parent migration scheme people have arrived in this country and gone to hospital for 20 years, but it is pretty unlikely. Their costs are more likely to be medical costs, are they not, visits to the doctor or aged care costs?

Mr Maskell-Knight—On average, if you are over 65 you go to hospital once per year; so I would imagine that, unless we assume that to survive in China you have to be really healthy, there is no reason I can see a priori to suppose that aged migrants are going to be less or more healthy than the Australian average.

Senator CROWLEY—About 5,000 leap to my lips, but I will practise great restraint, Mr Maskell-Knight.

Mr Maskell-Knight—Thank you, Senator.

Senator CROWLEY—What research has the department done to support the estimate of 20 years of average life span of aged parents after they arrive here?

Mr Maskell-Knight—Again, we have had to look at the ABS figures for the people who already live here, rather than any research about people that have recently arrived.

Senator CROWLEY—Can the ABS stuff tell you the difference between people from migrant background, whether they have been here since they were 20 or not? Let us not worry about that, but can they tell you that migrants from overseas have survived better, lived for 20 years, died earlier, whatever?

Mr Maskell-Knight—I think you would have to ask the ABS that. As far as I know, their estimates of life expectancy are not broken down by ethnic background or state or country of origin or anything. They take a population-wide perspective. It may be that they have more detailed numbers. They certainly do not publish them.

Senator CROWLEY—The department has not asked for them?

Mr Maskell-Knight—No, Senator.

Senator CROWLEY—We are told that—I think it is within one generation—Japanese people who have migrated to west coast America have produced in the one generation people who are significantly taller and different weight and more likely to have heart attacks and so

on. I presume most of that is not just anecdotal. Are you saying that Australia does not have any kind of comparison data for people arriving in Australia?

Mr Maskell-Knight—I am not aware of any research. There may well have been research done academically which looks at the experience of different migrant groups. I would be surprised if there had not been, but I am not aware of any. I guess you are essentially asking me demographic and population health questions, and I am not an expert in either of those areas.

Senator CROWLEY—Is there somebody in the department, Mr Podger, who could answer those? First of all, is it a question that the department addresses?

Mr Podger—I am not quite sure what the question is you are actually addressing. We certainly in our population health area keep an eye on information on the health status of different groups of people and things of that sort. That is part of our general responsibility, but I am not quite sure of the specifics you are after which started off with questions of cost.

Senator CROWLEY—For parent migration scheme recipients. That is, how did you arrive at this figure of 6,000? Mr Maskell-Knight has told me that and I thank him for those figures. I just wanted to know, further to that, how you average the cost for a 20-year life expectancy after they arrive. I am just interested in whether you have done any research that determines the life expectancy of parent migrants arriving in Australia. Mr Maskell-Knight has postulated that you may have to be tougher to get there or you may not be. It may be exactly the opposite. You could be sicker, arriving in this country at 65, than the average Australian. On the other hand, to have got here, you may need to be genetically very endowed.

Mr Podger—I can only refer the question to Professor Mathews. To refine figures of the sort that have been used, in the way that you are implying we could, I think would be extremely difficult, as Charles Maskell-Knight has advised. We would be looking at these sorts of things in a different context. Rather than the cost issue, we would be looking to see whether there are particular groups in the population who present particular health status problems. But that is a different perspective on this sort of data. Maybe the best thing is to hand over to Professor Mathews.

Prof. Mathews—I am standing in for the chief medical officer today. As you said, Senator Crowley, there are some academic studies showing that, particularly for immigrants to America, the life expectancy of first generation immigrants does change. As Mr Maskell-Knight mentioned, in Australia a large number of the immigrant parents in recent years have come from China, and I am not aware of any academic reports looking extensively at differences in life expectancy. As Mr Maskell-Knight mentioned, the capacity to do that research in Australia has been limited partly by, for example, the restrictions on the Australian Bureau of Statistics linking their data to health data. They are restricted in terms of their act. To provide the information or to extract it manually is very difficult. It is possible, from discussions, with the health information system, in future it will be easier to provide the information the senator would like us to have. We can, though, try and give you a written answer of what information is available in Australia on immigrant parents, but I cannot give you a detailed answer now.

Senator CROWLEY—Does the department ever request that kind of data to be pulled out by the ABS? Can the department do that?

Mr Podger—I am not sure about this specific area of data you are asking for, but it is not infrequent that the department will ask the bureau for more detailed tapes of its material and we will do additional research into that.

Senator CROWLEY—Would you consider now checking? I am asking ABS to have a look at some of your assumptions for parent migrants.

Mr Podger—I am not quite sure where you are coming from on all of this. We have done a series of calculations. Is your concern that our calculations have understated or overstated? Is there an implication here of the level of services provided or whatever? It seems to me, before we go chasing more and more data and analysis, we would have to have a clearer idea of exactly the context one was chasing it for.

Senator CROWLEY—Accuracy, Mr Podger, but I am not guilty of any bad motives at this time. I have not even got any hidden covert agendas. Can you have a hidden covert agenda? It sounds like tautology. I was just really interested to know how the department has arrived at these figures. On what database have you made the estimates of a 20-year life span? What research has the department undertaken on this issue? I gather the answer is none.

Mr Maskell-Knight—We were asked to provide an estimate. I forget what the principle is in science—I think it is called Occam's razor or something—but basically where you can be out either way you take the most simplified assumption you can. Assuming that these people would have an experience broadly the same as the people that are already in Australia is the most simplified assumption to make. For the purpose for which we were asked to make the estimate, I think that was an entirely appropriate way of proceeding.

I think the context is that the government was concerned from the migration end that aged parent migrants are being charged \$980 as a health charge to come to Australia. The government considered, on any estimate of what their health costs were likely to be, that was a very low amount indeed. I suspect that at the end of the day we could spend a lot of money with the ABS and with other people trying to get better estimates. Even if we were out by a factor of 25 per cent, which is possible—or 50 per cent, which I think is most unlikely—the fact is that these people would cost either \$180,000 or \$60,000. But either way it is still considerably in excess of the health charge that they are currently required to make.

Senator CROWLEY—I appreciate that. Essentially these have been based on estimates of the average Australian costs, not on any specific research done about populations of adult migrants from China or anywhere else. I thank you for those answers. If there is any research, Professor Mathews, that is specific to this and relevant to Australia I would appreciate it, and also if there is any that the department has done. I gather from what you are saying that the department has not really done any research or sought any data; it has taken an average of the population costs and not particularly looked for itself. But if there was anything I would appreciate receiving that, too. Thank you.

Senator CHRIS EVANS—I would like to ask some questions about this integrated electronic system at Bendigo—the Optus contract to model the implementation of integrated electronic systems in hospitals.

Mr Podger—If we may, can we handle that under outcome 9, because the officer who is concerned with information systems and so on is not here right now. It is handled by the people handling that information agenda.

Senator CHRIS EVANS—All right. The contracts and negotiations were handled by the IT people, were they?

Mr Podger—No, it is not actually the IT people; it is related to the portfolio strategies division people, who are handling the major program on information management, *HealthConnect* and associated work.

Senator CHRIS EVANS—All right. We might need them here a bit before 5 o'clock then at that rate.

Mr Podger—Yes.

Senator CHRIS EVANS—If we go to the question of the quality health spending, I think we asked last time about how much money the states were spending under the Australian health care agreements on this quality health spending. Can someone help me with what information we have now got from the states about what they have done with that part of the program?

Mr Maskell-Knight—Actually the detail is handled by another area of the department. I am not sure that they are here either. What I can tell you is that we have only got plans from two of the states about how they are proposing to use that.

Senator CHRIS EVANS—You have plans from two of the states.

Mr Maskell-Knight—Yes.

Senator CHRIS EVANS—Does that mean they have not spent any of the money yet?

Mr Maskell-Knight—I imagine they have spent it all, and more. The problem is that it is not tied down to particular projects.

Senator CHRIS EVANS—So you suspect that the money has been spent but they have not told you what they have spent it on?

Mr Maskell-Knight—That is it.

Senator CHRIS EVANS—So what do you have from these two states?

Mr Maskell-Knight—There you take me beyond what I know. I am just seeing if we can find someone who might be in the waiting room to help us. But we could certainly undertake to provide the plans to you.

Senator CHRIS EVANS—Are they required to put in some sort of acquittal form or some report?

Mr Maskell-Knight—They have to acquit that they have received the detailed amounts and that they have spent their health care grant as a whole on the provision of public hospital services. They do not have to acquit the particular dollars.

Senator CHRIS EVANS—What are we going to end up with at the end of the day to know what we have got out of that particular program.

Mr Maskell-Knight—There is a requirement for a mid-term review. First of all, there should be quality plans, then there should be a mid-term evaluation, and I would like to think the states would be interested enough to have an end of term evaluation.

Senator CHRIS EVANS—When will I or a member of the public be able to access that information?

Mr Maskell-Knight—Which information?

Senator CHRIS EVANS—What the money has been spent on, whether it has been used appropriately, whether it has been successful.

Mr Maskell-Knight—All those horrible accountability things?

Senator CHRIS EVANS—Yes.

Mr Maskell-Knight—I am afraid that, because of the way the agreements are structured, it is going to be very difficult. The Prime Minister gave an undertaking after the Premiers Conference in March 1998 that we would pay to the states whatever we had said we were going to pay them, regardless of whether they signed an agreement or not. The money has been flowing ever since then. The agreements require them to do certain things, which is essentially submit a plan and have a review of progress. Unfortunately, as I said, only two states have done so.

Senator CHRIS EVANS—Was there a deadline for the plan to be submitted?

Mr Maskell-Knight—There was.

Senator CHRIS EVANS—What was that?

Mr Maskell-Knight—30 June last year.

Senator CHRIS EVANS—30 June 1999?

Mr Maskell-Knight—Yes.

Senator CHRIS EVANS—Do you know when you received the two and which two they are?

Mr Maskell-Knight—I believe that Western Australia is one of them, but I would have to take that on notice.

Senator CHRIS EVANS—Perhaps you could take on notice which ones you have and when you received them. A related issue is the annual performance reports on hospital performance. Have they been received and will they be made public?

Mr Maskell-Knight—We are in the process of finalising the publication. We had hoped to have it out a bit earlier than this, but some of the states had concerns about how some of the tables were going to be presented. We are finalising the last table now. Our intention is to have it published before the end of the calendar year.

Mr Podger—I will add a point about the quality side. We are having some difficulties getting all of the states to come through with their plans as quickly as we would like and to clarify the reporting arrangements. In parallel, there is a lot of work being done on the safety and quality agenda, particularly through the new safety and quality council, and the states are very closely involved in that. I think there will be quite a lot of action going on with improved clinical governance arrangements and things of that sort. I would not want to give the impression that there was just simply an agreement on paper, but it has not been proceeded with. There is a lot of other action going on in the quality agenda. I do not have the officer here at the moment, but she is coming in soon and we might be able to cover anything more you have on that quality side then.

Senator CHRIS EVANS—Thanks for that, Mr Podger. What about the national health development projects and the state plans for those? Have they been developed?

Mr Maskell-Knight—I think we have five or six of them, Senator. I will have to take that on notice, too. But we do have most of them in.

Senator CHRIS EVANS—What was the deadline for them?

Mr Maskell-Knight—It was a slightly different story with them. The states did not get any money until they submitted the plan.

Senator CHRIS EVANS—Hence, the better strike rate.

Mr Maskell-Knight—Yes, quite. I think the agreements were silent about when it had to be done.

Senator CHRIS EVANS—You basically have most of them in. You will take on notice which ones you have.

Mr Maskell-Knight—Yes.

Senator CHRIS EVANS—Are those documents public?

Mr Maskell-Knight—They have not been made public, Senator.

Senator CHRIS EVANS—Perhaps you could take it on notice as to whether or not you are going to make them available.

Mr Maskell-Knight—Yes, I will take it on notice whether the states would have objections. I cannot imagine that they would.

Senator CHRIS EVANS—How much of the money set aside for national health development projects has been spent?

Mr Maskell-Knight—I would have to take that on notice, too, Senator.

Senator CHRIS EVANS—Has spending commenced?

Mr Maskell-Knight—Yes.

Senator CHRIS EVANS—Perhaps you could take on notice how much has been spent and to what it has been applied. That would be helpful. That is all I have on outcome 2, Madam Chair.

Senator DENMAN—My questions are on pharmacies. Can you explain the changes that have been made in pharmacies where pharmacists have to log on with the Medicare card on receipt of a prescription?

Ms Badham—That question is not quite an accurate representation of what is happening.

Senator DENMAN—Okay. Can you explain what is happening?

Ms Badham—Legislation has gone through the House of Representatives and has not yet reached the Senate. Under that legislation a pharmacist will have to supply a Medicare number to the HIC as part of the claims process for a PBS claim.

Senator DENMAN—Having said that, will it mean that there is a lot of extra time to be spent on doing this by the pharmacist?

Ms Badham—There is certainly some additional work in obtaining that. We are working with the pharmacists about simplifying the administrative processes. They will be able to provide the information electronically as part of the claims process.

Senator DENMAN—Are they going to be recompensed in any way for the extra time?

Ms Badham—That matter is still under negotiation.

Senator DENMAN—Is it possible for someone to still present a Medicare card to a pharmacist who is not their own? We have had a case up my way of this.

Ms Badham—Are you trying to get at a fraudulent situation or at a situation where somebody is picking up somebody else's medication?

Senator DENMAN—No, where someone is presenting someone else's Medicare card for a prescription.

Ms Badham—The pharmacist only needs to supply the Medicare number of the person for whom the prescription applies. It may be that no Medicare card needs to be presented at the time at all, because the pharmacist may already have that information in their computer, for example.

Senator DENMAN—So, if you are picking up a prescription for someone else, it is legitimate to take along that person's Medicare card to do that?

Ms Badham—That is correct. The requirement would be, assuming that the legislation passes unchanged, to provide the Medicare number of the relevant person covered by the prescription.

Senator DENMAN—Thank you. That is all.

Senator WEST—What is the current level of fraud against the PBS and how is this measured? I am asking that because the member for Parkes has put out a press release in recent days talking about the level of fraud and about the need to use the Medicare card to obtain their medications. I am wanting to know what the current level of fraud is against the PBS, how it is measured and the common categories of fraud.

Ms Badham—This measure is expected to generate savings of about \$20 million a year.

Senator WEST—About \$20 million?

Ms Badham—That is not necessarily fraud, though, and certainly this measure would not pick up all the things that are fraud, but within this measure the majority of it is the savings accruing because some people who are not eligible for PBS currently claim PBS—overseas visitors, for example. The majority of the savings arise from better detection of international visitors, who are not eligible for PBS but currently claim PBS.

Senator WEST—Do we have some idea of what the current level of fraud against the PBS is?

Mr Watzlaff—The process that the Health Insurance Commission operates to identify leakage on the PBS is a random audit process and we do the random audit process each year on 500 claims. Those claims are taken at random from the system and, from that, we get a level of leakage. The level of leakage varies from year to year. I think in the last year the level of leakage was about three per cent in terms of the sample that we drew. We have been doing that process for five years and the level of leakage has grown slightly in recent times. That, in effect, gives us a feeling as to whether the degree of fraud and inappropriate practice is rising or decreasing and, from that, we have concluded that it is increasing in some areas.

From that random process we do some specific audit activities. The areas that we have been doing are to do with missing scripts, which can be a pointer to fraud because a script might be claimed twice, and therefore missing scripts are a significant issue for us. We also do audits on safety net, on doctor's bag and a series of other areas—pethidine prescribing and things like that. So at the second level we have a specific targeted audit type activity. From that, we also have counselling activities for prescribing and, over and above that, we have investigations for fraud.

In relation to the investigations for fraud, we have both a reactive and a proactive approach. The reactive comes from complaints, audit activities and things like that, and in addition to that we have risk rated all pharmacies in Australia from one to 5,000. There are about 5,800 pharmacies at any one time. We have risk rated them on 13 different parameters and that also provides information for us in terms of looking at particular pharmacies that may be involved in inappropriate behaviour.

At the present time we have five major investigations involving pharmacists. Those investigations are in Queensland, New South Wales and Victoria. Some of those are very big matters and those cases tend to be quite protracted when they get to court. There is a wide range of activities that the Health Insurance Commission does in relation to fraud on the PBS.

Senator WEST—You said that some areas were increasing on the random small checks that you were doing.

Mr Watzlaff—That is right.

Senator WEST—Can you identify which areas seem to be increasing?

Mr Watzlaff—When I say that we identify some areas, we will follow up, with audit activity, things like missing scripts on the system, so it drives our audit process, and the risk rating that we have done of all pharmacies is intended to bring it back from the other direction, to look at the data and analyse that data on a number of different parameters.

Senator WEST—That was not what I was after, or maybe I have the wrong impression and understanding. I understood you to say that the leakage was about three per cent but some areas were increasing.

Mr Watzlaff—No, I meant that over the five to six years that we have been doing the audit process the figure for the PBS has risen. It was in the region of one to 1½ per cent for a couple of years. I think last year it was 3.8 per cent, and I think it dropped back to about three per cent.

Senator WEST—Has the increase been across the board or are there specific areas where there have been more increases?

Mr Watzlaff—The areas of risk are in a number of areas and I do not think I could just point to one in particular—for example, issues to do with the prescribing of pethidine. That is a risk. It is not a substantial financial risk but it is a very substantial impairment type issue.

Senator WEST—Yes.

Mr Watzlaff—It depends really on whether you are talking about financial risks or whether you are talking about health and safety type issues or impairment issues.

Senator WEST—I am interested in the financial side. I am also interested in the health and impairment side. You said that in some areas there were increases. Was it easy to identify the areas where you were getting a greater problem? Was it significant or was it not significant?

Mr Watzlaff—Obviously, all areas of the PB5 schedule are monitored both by the HIC and by the department, so the areas which are growing and are high financial risks are well known. Those increases in expenditure are carefully noted and they become the subject matter of further actions either by the HIC or by the department.

Senator WEST—These areas would be missing scripts, safety net, doctors' bags, pethidine prescribing.

Mr Watzlaff—Yes. I think in our annual report we mention morphine sulfate, which was a particular problem in one jurisdiction of the country. In terms of the HIC's role, when it administers the program it will use the information from its random audit process to drive other activities.

Senator WEST—You have now been doing it for five to six years. What I am trying to get in my mind is a broader picture of what is actually going on, where you are finding areas that are suddenly becoming problem areas that are reducing in significance, what changes are taking place and where those changes are taking place. Is it in your annual report and I have not read that far?

Mr Watzlaff—There are some issues in our annual report of the sorts of things that we have been doing. We have mentioned the level of prosecutions that we are doing and things like that. In terms of one parameter, in terms of our examination of PBS and pharmacies, one area of major concern is the practice of 'gardening', or claiming for scripts that are not claimed by the patient. We try and identify that by a series of analytical filters on our data. That then drives our prosecution activity as we investigate based upon that information. There is a series of issues across the PBS and our various filters on our data seek to identify that. The missing scripts is one issue, gardening issues with respect to pharmacies is another issue, inappropriate prescribing is another issue. There are various risk areas and we try and identify and deal with each and every one of those.

Senator WEST—What are the commonest forms or categories of fraud? What do you most commonly see?

Mr Watzlaff—In terms of the big cases that we run, essentially they involve pharmacists claiming for scripts that were not claimed by the patient.

Senator WEST—I guess if somebody is into that, they are into that big time and they are going to hit the courts and hit the papers, but is that the most common thing that happens? Is that a big occurrence?

Mr Watzlaff—It is big in terms of individual cases. As to whether it is the most prevalent area of abuse across the system, that is another question. I would have thought that the question of prescribing is probably a bigger issue across the whole of the process.

Senator WEST—Appropriate and inappropriate.

Mr Watzlaff—Inappropriate prescribing.

Senator WEST—In the explanatory memorandum of the National Health Improved Monitoring of Entitlements to Pharmaceuticals legislation, it says there are savings of \$18 million a year. I think you said \$20 million. We are in the same ballpark there. Have you any idea what proportion of total fraud losses this represents in money terms?

Ms Badham—No.

Senator WEST—No idea whatsoever?

Ms Badham—I would not know that, Senator.

Senator WEST—Going back to the comments by the member for Parkes, in his press release that was printed he claimed that at least a third of parcels that go through a certain post office in Sydney with a high Asian population contain drugs supplied at a reduced rate under the PBS. Have you heard of this allegation?

Ms Badham—I have not personally.

Mr Watzlaff—We do have a project going on in relation to the overseas diversion of pharmaceuticals. We do have relationships and a memorandum of understanding with the Customs Service to screen baggage and so forth going out through the airports and also through the mail service. But the issue of diversion of pharmaceuticals overseas is certainly a major problem and we have done quite a number of activities in that particular area. It really breaks down to two types of issues. There is commercial exploitation of the PBS whereby drugs are obtained on the PBS and taken overseas for sale. We have had evidence of those drugs being sold in the streets of some Asian cities. The other aspect of it relates to family members taking drugs out of the country for relatives overseas. We have mounted quite an intensive publicity campaign to try and deal with that particular issue. We have also, for example, instituted a hot line whereby people can ring in if they have concerns. We have run quite an intensive publicity campaign in some of the ethnic press as well, on that particular subject, warning of the fact that it is not permissible under the PBS to obtain drugs for other people.

Mr Podger—Of course, as Ms Badham noted before, this is a particular area where the new arrangement ought to help us substantially to reduce fraud.

Senator WEST—I was wanting to get more detail on it because he says that at least a third of parcels going out to a certain post office in Sydney, with a high Asian population, contained drugs supplied at a reduced rate under the PBS. Do you know if that is the case, if a third of—

Mr Watzlaff—Sorry, a third of the drugs?

Senator WEST—A third of parcels going through a certain post office in Sydney, with a high Asian population, contain drugs supplied at a reduced rate under the PBS.

Mr Watzlaff—When those drugs get to the mail centre they should be scanned and it should become obvious at that point, if they are going overseas, and we should be picking that up. If it is going through the mail exchange in Rhodes they have a scanner and when they scan parcels my understanding is that will identify any drugs and those drugs are pulled out and we then investigate the matter. I would find it surprising if we were not picking that up through our monitoring activities in Sydney.

Senator WEST—That is what I am trying to get at. What numbers? Have you got some sort of number that you can tell me or can you indicate what you think? How many interceptions are you making, between you and Customs? Presumably Customs make the interception and you then have to do the investigation. Is that how it works?

Mr Watzlaff—Yes, we have a particular procedure involved whereby the goods are seized by Customs. They are referred to us. We then seek to identify whether or not they are PBS drugs, because of course there are other drugs that go out of the country, apart from things that are prescribed on the PBS. But we should be picking those up. In terms of the numbers of cases that we have, in recent times the number of referrals I think we have had from Customs has been relatively small, but we probably would get in the region of about a dozen to two dozen a year.

Senator WEST—Yes, that was the sort of figure I was after—how many referrals you get from Customs a day, a week, a month or a year. You are saying that there are a couple of dozen a year.

Mr Watzlaff—That is my impression, but I could check on the figures for you and give you a more precise number. We have done some analytical work as to the extent of the

problem in a monetary sense and our calculations were putting a figure of about \$20 million on this particular activity.

Senator WEST—That is the \$20 million you hope to save with this legislative amendment.

Ms Badham—Part of it is, yes.

Senator WEST—The member for Parkes also alleged that the chartered jet that brought people to Australia from one of the former eastern bloc countries was inspected before leaving and it was found that almost half the visitors were leaving with commercial quantities of subsidised drugs in their suitcases. Have you heard of that allegation?

Mr Watzlaff—No.

Senator WEST—Do you undertake searches of outgoing aircraft luggage, or Customs do on your behalf?

Mr Watzlaff—Yes. That tends to be regular airline traffic. You mentioned a charter flight.

Senator WEST—Yes.

Mr Watzlaff—Was it a charter flight out of the Sydney international airport?

Senator WEST—It says a charter flight that brought people to Australia from one of the former eastern bloc countries, so presumably it would have had to have gone through somewhere like KSA or one of the international airports. You said that you were aware that there was a sale of Australian drugs—pharmaceuticals to be more precise—taking place on the streets of the Asian cities. Have you any idea what quantities we are talking about?

Mr Watzlaff—No, I cannot put a monetary figure on it.

Senator WEST—Are we involved in any way, or do we have a liaison with the AFP, which might be represented in those countries, to undertake further investigations there?

Mr Watzlaff—Yes, we do. We have had some discussions through our Brisbane office with AFP personnel who are posted overseas. We are planning further talks on that subject as well.

Senator WEST—I am not wanting to place in jeopardy any investigations or things that you might have under way, so I appreciate that there is a need for caution perhaps in what you are saying, but have there been any results at this particular stage?

Mr Watzlaff—No, in the past we have prosecuted some people for taking drugs out of the country. The number of prosecutions that were run in that area have been in the region of about 30, I believe. I think about 19 of those led to convictions. That was about two or three years ago.

Senator WEST—I recall that in March 1999, I think, we passed legislation to strengthen the powers against illegal export of pharmaceuticals—the [National Health Amendment Bill \(No. 1\) 1999](#)—which arose from a budget decision of 1998. At the time the minister said the activity resulted in about \$20 million in pharmaceuticals being taken out of the country, other than for use by an eligible Australian. How much of that activity ceased as a result of that legislation?

Mr Watzlaff—They are the activities I was referring to. The publicity campaign that I mentioned has gone ahead. We have publicised in the ethnic press the fact that export of pharmaceuticals, even to relatives, is not permissible and we have set up a hot line and issued brochures to deal with that. That activity has, in effect, gone through its first phase. The

negotiations with the Customs Service have been ongoing and we have now signed the memorandum of understanding but the activities that we have worked on do not lead to a situation where we can give a precise estimate as to how much savings there have been at this point because the project is ongoing.

Senator WEST—That follows on to my question which was going to be that in the 1998 PBS budget measure it was stated that there were going to be savings of \$21.7 million in the 2000-01 financial year. I was going to ask in reality how much has already been saved and how has this been measured?

Mr Watzlaff—In terms of the measurement of savings, it does require some additional time after the period under review to make sure that all the data is captured. We have not actually done that review on that particular project at this time.

However, we have done the evaluation for the doctor shopping project, which was a budget measure for two years previously, and in the first 2½ years the savings that we have identified here are \$17½ million as opposed to a target of \$11 million. We believe that we will get over \$20 million in terms of the savings from the doctor shopping project, so it just demonstrates the point that the measurement of savings will always take a little longer than the actual report for the period that is under review.

Senator WEST—Can I turn now to quality health spending in hospitals. The response to the committee in question 5 on 2 May says, ‘The states are not required to report individually on quality projects funded under AHCA but they are required to put in an acquittal form.’ Has the department now received information from the states on the acquittal forms for spending under AHCA for how much money has been spent on quality improvement programs from the \$75 million given to the states for those projects?

Mr Maskell-Knight—The acquittal forms just require you to say that that money was spent on public hospitals not on quality projects necessarily.

Senator WEST—Just on public hospitals. But this is for quality health spending in those hospitals. So you have no guidelines, no criteria, no indicators on what they have done to actually improve the quality.

Mr Maskell-Knight—As I said to Senator Evans before, the states under the agreements are supposed to provide quality plans setting out what it is that they are going to do but they do not have to report on particular projects under the agreements.

Senator WEST—Is the department able to table these acquittal forms?

Mr Maskell-Knight—I guess so.

Senator WEST—I would appreciate it, please. Did any of the states volunteer additional information about the steps they are taking to improve hospital quality programs with the Commonwealth funds?

Mr Maskell-Knight—Not to me, Senator. I am not the person who is actually responsible for that element of the spending, it is another division which will be here under outcome 9 later on.

Senator WEST—On annual performance reports, has the Commonwealth now received reports on hospital performance as required under the AHCA agreements? Will those reports be publicly released? Can you answer that or does this come under outcome 9 again?

Mr Maskell-Knight—That is not outcome 9, that is us. We hope to publish the report by the end of the year.

Senator GIBBS—I have some questions in relation to the Pharmacy Guild negotiating team for the third community pharmacy agreement.

Mr Lennon—What would you like to know about the negotiating team?

Senator GIBBS—Apparently this negotiating team consists of nine people from around Australia. Queensland is not on it. Why would that be? There seem to be representatives from every state—a couple from New South Wales, a couple from Victoria, one from Tasmania but none from Queensland.

Mr Lennon—Are you talking about the negotiating team from the Pharmacy Guild side, Senator?

Senator GIBBS—Yes.

Mr Lennon—The negotiating team from the Pharmacy Guild side was a matter for the Pharmacy Guild of Australia to determine. The department had no particular ability to influence that. It was appropriate that the Pharmacy Guild chose a team who they felt was best suited to conduct the negotiations with the department.

Senator GIBBS—What connection does this guild actually have to the department? Is this simply a courtesy thing where they let you know who is on this committee? Can you not say, 'Well, we'd like representatives from everywhere'?

Mr Lennon—The Pharmacy Guild is the major representative body for pharmacy owners in Australia. It is usual for the Commonwealth to negotiate with the Pharmacy Guild in matters of pharmacy remuneration. I should add that in addition to the Pharmacy Guild of Australia in regard to the particular negotiations over the third guild government agreement, there was also a representative from the Pharmaceutical Society of Australia involved as well. So between the Pharmaceutical Society of Australia and the Pharmacy Guild of Australia, the Commonwealth was negotiating with the peak body responsible for pharmacy ownership. Those pharmacy owners are responsible for dispensing Pharmaceutical Benefits Scheme prescriptions under our PBS, so they are exactly the right group to be negotiating with.

Senator GIBBS—What is the purpose of this agreement? What are the aims and objectives?

Mr Lennon—The purpose of the agreement is to determine a basis of remuneration for pharmacists to dispense Pharmaceutical Benefits Scheme prescriptions. The Pharmaceutical Benefits Scheme provides subsidised drugs for all Australians. There are various stages to that process. There is the stage of listing of those drugs and pricing of them, and once we have determined that part of the process we then have the issue of ensuring that they are dispensed and distributed in an appropriate way.

The mechanism that we use is the community pharmacy network in Australia, and the owners of those pharmacies would be members of the Pharmacy Guild of Australia. The agreement was all about working out a suitable basis of remuneration for distributing Pharmaceutical Benefits Scheme prescriptions.

Senator GIBBS—So they all get the same remuneration.

Mr Lennon—They get a common amount of remuneration in relation to the dispensing fee and then they get a mark-up on top of that which varies in terms of its financial impact with the cost of the drug. In addition, pharmacists in rural and remote areas get additional amounts in recognition of the fact that they are operating in remote locations.

Senator GIBBS—The department does not feel that Queensland would be disadvantaged by not having a person on this negotiating team?

Mr Lennon—No, I cannot see that Queensland could or would be disadvantaged in any way in not having an explicit member on the team. The provisions that were negotiated applied Australia-wide.

Senator Herron—On the other hand, the guild would have been advantaged by having a Queensland on the team. I am sure you would agree, Senator Gibbs!

Senator WEST—Your parochialism is showing, you two!

Senator GIBBS—We can't help it. We are Queenslanders!

CHAIR—Anything further on outcome 2? We will now move to outcome 3—Enhanced quality of life for older Australians.

Senator CHRIS EVANS—I would like to start with some questions about the Thames Street hostel complaint, which has been fairly current. Perhaps I could ask, by getting someone to put on the record for me, when audit visits or site visits occurred to Thames Street hostel following the initial complaint lodged in November 1999—just a record of when the hostel was visited.

Ms Murnane—Senator, Ms Hefford is just coming in and she has the answers to those questions. If you can just bear with us, we have the answers, but I think it is better that we give you the answers as prepared than me trying to just do it. Senator, would you mind repeating the question for Ms Hefford, please?

Senator CHRIS EVANS—I want to start with the Thames Street hostel case and get from the department or the agency the dates of any visits to the hostel. I know there was a review audit done sometime in August and that much of the public debate has been about what happened between November and August, and it is not clear to me from reading the complaints commissioner's news release or the minister's comments what audits occurred at the hostel in that almost one-year period. I have all the correspondence about the complaint but what I do not have is when the agency or the department visited Thames Street hostel following the complaint in November 1999.

Ms Hefford—I believe that the particular complaint you are talking about, Senator Evans, was one which first came to the department at the beginning of December 1999 and the department spoke to the complainant and contacted the CEO of 75 Thames Street and forwarded the complaint to them and asked them to provide some information. The department made that contact with the CEO on 8 December. On 22 December the CEO of the facility responded in writing and addressed each of the issues raised in the complaint. The issues raised in the complaint were about the level of staffing and the mix of staffing—the proportion of qualified as opposed to the proportion of unqualified staff.

Senator CHRIS EVANS—But also there was the question of whether appropriate protection for administration of medication was in place.

Ms Hefford—That is at the heart of the qualified-unqualified—

Senator CHRIS EVANS—There has been an attempt by some to paint it as an industrial issue, but it is an issue about care also, isn't it?

Ms Hefford—Certainly there are state legislative provisions about the administration of medications by staff with particular qualifications, that is true.

Senator CHRIS EVANS—You got a response from the provider and you forwarded that on to the complainant, did you?

Ms Hefford—Our view was that the response was very adequate and addressed all of the issues raised, and we forwarded that response to the complainant. We did that on 31 December 1999.

Senator CHRIS EVANS—I understand they say they did not receive a copy of that but you have a copy of your letter forwarding that to them?

Ms Hefford—We have a copy of the correspondence and our file copy shows that it was sent to them on 31 December. Regardless of whether or not they are able to prove that they received it or did not, they certainly did not come back to us and did not raise the issue. The next contact about that particular complaint was on 31 March and it was from the department, who wrote to the complainant and asked if they wanted us to take any further action. That is, we had had a three-month period during which we had heard nothing, and we therefore went back and said, ‘Were you satisfied with the material that was provided? Did you want to proceed with this further?’

On 13 April the complainant, the particular person, phoned the department and said that they were in fact proceeding on leave for a month and that they would consult with other staff at the service and that they would get back to us following a period of consultation at the end of their period of leave. During that time at the end of March they also indicated that they would like us to again send the correspondence of 31 December, so we copied it to them again.

Senator CHRIS EVANS—Can you explain to me why the letter to the complainant scheme says, ‘I would also like to apologise for any inconvenience resulting from the delay in following up your complaint. The delay in action is due to an unavoidable delay on the part of the scheme.’

Ms Hefford—At that stage we had been through a process around Riverside Nursing Home which had resulted in an enormous influx of complaints. In the Victorian office we used a standard sentence—the sentence you have just read out—in all of our letters, because our turnaround times were slipping because of the volume of complaints material coming in. That was not specific to that particular complaint and that particular correspondence. It was a standard letter we were putting in all correspondence at that time.

Senator CHRIS EVANS—Are you telling me you meant to apologise or you did not mean to apologise?

Ms Hefford—I am saying that we recognised that we were not responding as quickly as we perhaps could under other circumstances, and we were asking people to accept that we were moving as quickly as we could.

Senator CHRIS EVANS—I accept the generality of this letter, but your evidence to date implies that the complainant had not followed up and the fault in not pursuing this lay with them. You did not mention that there was a letter from you in which you apologised for the delay from your end in following it up. I am just trying to get clear which is right.

Ms Hefford—I am saying that was a standard letter that we sent to everybody but that, regardless of that process, we had written before that on 31 March saying, ‘Would you like to take this matter further?’ In that three-month period we had not heard at all from the complainant. We had no knowledge that they had not received the 31 December letter. We were following up on the basis of our own initiative.

Senator CHRIS EVANS—And they then wrote you in May, I gather, restating their concerns about medication, et cetera?

Ms Hefford—Yes.

Senator CHRIS EVANS—And what happened after that?

Ms Hefford—We held an initial discussion with the agency on 2 June. We talked about the issues and the extent to which an agency visit may be justified. There was no firm decision at that stage. We subsequently referred the matter to the agency formally on 24 August, asking that they conduct a full review audit.

Senator CHRIS EVANS—What occurred between 2 June and 24 August to change your mind? Clearly on 2 June you decided not to conduct an audit.

Ms Hefford—We were in a process of reviewing that complaint and a range of other issues.

Senator CHRIS EVANS—What does that mean, Ms Hefford?

Ms Murnane—I think, Senator, what Ms Hefford is saying is that during that period, where earlier in the year many of our staff had been preoccupied with Riverside and a few other homes in Melbourne, that in the middle of the year we reviewed every single complaint that we had and the action on that complaint, and subsequent to that review we requested a review audit. But nothing had come in. There was no further complaint from a resident, a relative or a staff member, but nevertheless, in a process of rigour, we decided that we should settle this matter.

Senator CHRIS EVANS—You did have a letter from the complainants restating their concerns.

Ms Murnane—Restating that they would like us to reactivate, yes.

Senator CHRIS EVANS—That was in May?

Ms Murnane—Yes.

Senator CHRIS EVANS—And in June you discussed that and decided to do nothing. Is that right?

Ms Hefford—We decided that a full review audit by the agency was not required at that point.

Senator CHRIS EVANS—What action arose from that June meeting? Nothing?

Ms Hefford—No.

Senator CHRIS EVANS—The audit in August was triggered by what?

Ms Murnane—A further review of the situation, Senator.

Senator CHRIS EVANS—A review of what situation, Ms Murnane?

Ms Murnane—A review of the overall claims upon the resources of the department in Victoria at that time. Clearly, in any sort of system, priorities have to be set. As priorities were worked through, we came back to those issues—

Senator CHRIS EVANS—You are telling me that, as a result of work pressures, you were not able to get around to that complaint.

Ms Murnane—No. I do think that is putting words into my mouth. I am not saying that.

Senator CHRIS EVANS—I am trying to pin it down.

Ms Murnane—What I am saying is that, in any sort of endeavour, priorities need to be set. It is not a question of there not being sufficient resources—there are sufficient resources—but you are never in a situation where you can act simultaneously on all fronts. That is the situation we are in. What is sensible and responsible to do in the running of any complaint scheme is that priorities are assigned. That is the case with the various child protection notifications, with complaint schemes in relation to immigration, to education, youth affairs, and so on. It is the same here.

Senator CHRIS EVANS—All right. As a result of the 2 June meeting, was the Thames hostel put on a list for audit to occur when you had the ability to do that?

Ms Hefford—No, on a list of services we were watching. We are always looking at a range of criteria and keeping a watching brief on a small number of services.

Senator CHRIS EVANS—You had a watching brief on it from 2 June. Was that the first time that was put under the watching brief category, or had it been there since the complaint in November?

Ms Hefford—The complaint in November appeared at the time to have been resolved satisfactorily. The CEO of the facility came back with a well-documented submission, identifying the steps that they were going to take to make sure they had adequate staffing and it seemed to meet the requirements. We had not regarded the matter as being outstanding throughout that period.

Senator CHRIS EVANS—Given the pressures of time, I do not want to go into that in depth. But clearly again in May you had the complaint reiterated to you. It was serious enough for you to discuss it at a meeting on 2 June.

Ms Hefford—Correct.

Senator CHRIS EVANS—That is the first stage at which you put it under what you call a watching brief. Is that right?

Ms Hefford—Yes.

Senator CHRIS EVANS—What does a watching brief mean? What physically happens?

Ms Hefford—It is simply one that you would review. You would watch to see if other complaints were coming in. You would watch to see if there were any other information or intelligence coming to you about the service.

Senator CHRIS EVANS—When was this hostel referred to the agency?

Ms Hefford—On 24 August.

Senator CHRIS EVANS—So on 24 August you asked the agency to conduct a review audit?

Ms Hefford—Correct.

Senator CHRIS EVANS—Was there any new information between 2 June and 24 August that led you to that decision?

Ms Hefford—Not that I am aware of.

Senator CHRIS EVANS—There was no additional information between 2 June and 24 August when that decision was made?

Ms Hefford—No.

Senator CHRIS EVANS—I am still not clear why then on 24 August you made that decision. I know you had a watching brief. But if nothing else came in, why would it get a visit now?

Mr Podger—I thought Ms Murnane answered that by saying that there was a reflection then of all outstanding complaints to see whether we needed to rethink the priorities. I thought that was the answer.

Senator CHRIS EVANS—I thought that happened much earlier in the year, Mr Podger.

Ms Murnane—Senator, since that came up, I have myself spoken to our aged care branch manager in Victoria and specifically asked her if there were any further complaints and she said no. What we were doing progressively and methodically was tying up things that we had not been able to deal with and that we did not think the agency would be able to deal with in the light of more urgent and immediate priorities earlier on. If there had been any subsequent complaint from any source at all that we knew of, we would tell you now.

Senator CHRIS EVANS—Yes. I am trying to get the process clear. You had a view that the agency may not have been able to cope with referrals earlier than this?

Ms Murnane—Senator, I have to say again that in any circumstances, in any working circumstances, it is impossible to react simultaneously to everything. An order of priorities needs to be set. I should say at this stage that, in the course of this year, the resources available to both the department and the agency have been substantially increased by the government, and the agency and the department have both been on the record—and I will go on the record again—as saying that in our judgment the resources we have are adequate to the task, but priorities always need to be set.

Senator CHRIS EVANS—There is still a public issue about whether or not we are responding adequately and quickly enough to complaints. That is one of the issues I am trying to tease out here. I still do not have, to be frank, a clear understanding as to why, even on the best scenario from the department's point of view, it took until 24 August for you to make that decision and why you made that decision on 24 August which you did not take on 2 June. You say it is about priorities. I am not quite clear what triggered you on the 24th. But, anyway, if we can go back to the first question I asked: what visits to the hostel occurred between November 1999 or early December? I am not sure what date you actually received the complaint, but it was in early December I think you said, Ms Hefford.

Ms Hefford—2 December.

Senator CHRIS EVANS—Yes. You got it on 2 December. What visits, what contact, did the department or the agency have with the hostel during this period?

Ms Hefford—The department obviously had been in contact with the CEO and had referred material to the CEO and had received a submission from the CEO. The department had also conducted during that period, I understand, two resident classification scale review visits, which is where departmental nurses review RCS claims. The agency visited on 30 and 31 August to conduct the review audit.

Senator CHRIS EVANS—Just so that I am clear, though, did the department or the agency send anybody out to the place in relation to following up complaints or a review audit before 30 or 31 August?

Ms Hefford—Not that I am aware.

Senator CHRIS EVANS—There was no accreditation visit in that period?

Ms Hefford—There was not.

Senator CHRIS EVANS—So the first audit was on the 30th and 31st?

Ms Hefford—Yes.

Senator CHRIS EVANS—Have they applied for accreditation?

Ms Hefford—They had applied for accreditation.

Senator CHRIS EVANS—When did the accreditation visits take place?

Ms Hefford—That has taken place since then, in the last part of the year.

Senator CHRIS EVANS—I see. There were none before the review audit?

Ms Hefford—That is right.

Senator CHRIS EVANS—So you had the review audit on 30 and 31 August.

Ms Hefford—Yes.

Senator CHRIS EVANS—That was obviously highly unsatisfactory.

Ms Hefford—Yes.

Senator CHRIS EVANS—When did the department receive the audit report?

Ms Hefford—On 1 September we received the notice of serious risk and on 14 September we received the review audit report.

Senator CHRIS EVANS—Is that an unusually long gap between the two?

Ms Hefford—No. The serious risk notice is one that is sent to us very quickly and says, ‘We have identified an area of serious risk.’ As a standard process we would then immediately contact the service provider and we would send a letter saying that this has happened. The agency also copy that information to the service provider. So the service provider knows immediately that the issue has been identified and that steps must be taken immediately.

Senator CHRIS EVANS—What do you do? You notify the provider about the serious risk. I thought you responded pretty immediately to serious risk reports.

Ms Hefford—I am not talking about the serious risk report, the 4.2 report. I am talking about a letter. It is usually one page and it says, ‘We think we have found serious risk in relation to X and we’ll give you some more information as quickly as we can.’ Then two subsequent things happen. We get a serious risk report, which is an abbreviated version of the review audit report and focuses specifically on the area of serious risk.

Senator CHRIS EVANS—When did you get that?

Ms Hefford—We got that on 12 September. And we then subsequently get a more detailed report which in this case we got on 14 September. It is slightly unusual for those to be so close together. Usually we would get the serious risk report three, four or five days after the visit, and then the review audit report might be a week or 10 days later.

Senator CHRIS EVANS—This is why the time lines are a bit perplexing, given Riverside and others. You have had the serious risk report very quickly. This is 11 days.

Ms Hefford—It depends on the review audit team and the processes that they use.

Senator CHRIS EVANS—More importantly, what did you do when you got that notification of serious risk on 1 September?

Ms Hefford—We immediately met with the approved provider to discuss the report and we proceeded—

Senator CHRIS EVANS—When was that, Ms Hefford?

Ms Hefford—13 September. We got the serious risk report on the 12th—

Senator CHRIS EVANS—I did not mean to interrupt, but I would like to get the dates as we go along. You got the serious risk report on 1 September or the notification?

Ms Hefford—No, the notification.

Senator CHRIS EVANS—And you met with the provider on—

Ms Hefford—And we received the serious risk report on 12 September. We required the approved provider to meet with us and discuss the report the following day, 13 September.

Senator CHRIS EVANS—Had anything happened between the 1st and the 13th?

Ms Hefford—Had anything happened at the service?

Senator CHRIS EVANS—Did you send in an administrator? Did you send in nurses? Did you put sanctions on? Did you do anything?

Ms Hefford—We did eventually move to sanctions but we would not move to sanctions until we had received the serious risk report. We would wait until we had some evidence before us. The delegate cannot make a decision without having some evidence, some documentary material, before them on the basis of which they can form a judgment about the appropriateness of sanctions.

Senator CHRIS EVANS—But at Riverside we did that over the weekend. I am just trying to understand why it took what seems an inordinately long time. But, more importantly, when you identify a serious risk to the health of the residents, what do you do to ensure that that risk is reduced or eliminated?

Ms Hefford—As Mary Murnane has explained, we have been revising, evolving, our procedures. If we received a serious risk notification now, we would immediately ask that nurses from our departmental team visit the facility to identify the level of concern. We of course notified the home about the issues as soon as we became aware of them on 3 September, and we asked that they immediately take steps to address the issues. In this case there are gradations or degrees of risk and sometimes the agency's findings have a greater sense of immediacy than in others. For example, in the case of 75 Thames Street, they identified concerns against medication management, which is a serious issue, but they also identified concerns about living environment, security and emergency—

Senator CHRIS EVANS—Didn't they fail 43 out of 44 of the standards?

Ms Hefford—That is a different question to where they identified serious risk.

Senator CHRIS EVANS—Yes, but I just want to be clear: you are not trying to create the impression that you did not regard this as a serious report?

Ms Hefford—No, I am not trying to create that impression at all. But the information comes to us in two processes. The first identifies the outcomes against which the agency has found serious risk, and there are a handful of those. The full review audit, which comes some days later, identifies all of the outcomes against which they have found that the service has either failed or the findings are unacceptable. We do not have that information until that second period. On some occasions that stepped-through process means that on the serious risk report we may make a decision to go to sanctions, and when we get the full review audit

report we may find significant more noncompliance and we may actually impose a second sanction. We certainly go through a process of putting the material before the delegate on receipt of both sets of documentary evidence and there are two decision making processes.

Senator CHRIS EVANS—It is my fault for jumping ahead, but you wrote to the provider on 3 September saying you identified serious risk.

Ms Hefford—Yes.

Senator CHRIS EVANS—What happened after that? Did anything happen before you met with him on the 13th?

Ms Hefford—Not that I am aware of.

Senator CHRIS EVANS—You met with him on the 13th. What happened after that?

Ms Hefford—We obviously have a close relationship with the agency when we are dealing with these, and the agency agreed to a series of support contact visits and we separately made a decision to impose sanctions.

Senator CHRIS EVANS—Just take me through both of those. When was the first support contact made after you received the report on 1 September?

Ms Hefford—11 October.

Senator CHRIS EVANS—So no-one from the agency visited between 1 September, receiving the report, and 11 October?

Ms Hefford—That is the information I have.

Senator CHRIS EVANS—Why would there be such a long delay?

Ms Hefford—It would depend on a range of things, for example, the nature of the risk. In some cases, for example, the approved provider, on meeting with us and discussing the issues with us, can take immediate steps to address the risk and can contact us again and say, 'I have put in place this or that.' We have, for example, had reports of serious risk where the lock on the front door did not work and we have been able to talk to the service provider. They have been able to come back to us a few days later and say, 'It's fixed.'

Senator CHRIS EVANS—I accept that, Ms Hefford, and I accept that I think you ought to do something about the terminology. Where 'serious risk' is used for such incidents I think we need to find a way of graduating the terminology. I am sure you have given thought to that. But this is not a case like that, is it? I mean, this went to medication management and very directly to care issues. I am the first to say that if you have a problem with the laundry door that is not as serious as the care issues. I am happy to concede that. But this is not one of those cases, is it?

Ms Hefford—It is a mix. It is about medication management but it is also about living environment, fire and safety, catering, cleaning and laundry services, leisure interests and activities. It is not in the largely clinical care, health related area, although there is some component of that.

Senator CHRIS EVANS—When did you get the review audit that said it failed 43 out of the 44 standards?

Ms Hefford—14 September.

Senator CHRIS EVANS—That is when you got the full review audit report?

Ms Hefford—That is correct.

Senator CHRIS EVANS—After meeting with the provider on 13 September you agreed to a series of support visits, the first of which occurred on 11 October.

Ms Hefford—That series of support contact visits is by the agency. The agency separately has a process of meeting with the approved provider and agreeing the series of support contact visits. We have a process of meeting with the approved provider and we make a number of demands of the approved provider at that point. We ask that they immediately take steps to address the problem.

We ask that they provide us with a plan of action, how they are going to address the problem. We ask that they hold a meeting for residents and family members, that they invite us and the advocacy service to that meeting, and that they explain to residents and family members during that meeting what it is that the agency has identified and the steps that they intend to take to address those issues.

To ensure that family members remain fully informed, the department also requests at that first meeting a list from the service provider of the next of kin's names and addresses. We also write to all those family members and to residents, and we explain the process that has been gone through, the issues that have been identified and our actions in taking sanctions and our reasons for taking sanction action. We also give all family members and residents a case manager, a nominated person in the department they can call with any of their concerns and a specific phone number they can use. It is very important that while we are dealing with the approved provider and going through a regulatory process, we continue to keep those people, whose home the service provides, fully informed.

Senator CHRIS EVANS—Yes, all right. You go through those processes and the agency goes through them, and I will ask the agency in a minute whether it has anything to add to this, but you then imposed, as I understand it, sanctions on 13 October. Is that right?

Ms Hefford—That is correct.

Senator CHRIS EVANS—And what triggered those sanctions?

Ms Hefford—That is based on the receipt of the serious risk report and the full review audit report.

Senator CHRIS EVANS—You have had those since 14 September. Why did it take till 13 October to impose the sanctions?

Ms Hefford—The delegate would have been considering the issues and considering the severity or not of the case and the level of sanction to be applied.

Senator CHRIS EVANS—For two weeks? As I say, there seems to be a much lengthier process here certainly than applied at Riverside on the second report, but also—

Ms Hefford—It is not always that serious and it does depend on the identification of the issues and the extent to which the provider can address them quickly. If, for example, the serious issues had been solely around catering or cleaning and laundry services and if at the first meeting with the approved provider he had been able to identify that he was going to new contractual arrangements with new cleaning services, they would be in place within a week. Some of the issues can be dealt with very quickly. However, the delegate must make a decision based on the information provided by the agency in both the serious risk report and the review audit report, and any submission received from the approved provider and their action plan, and then make a decision on the basis of all of that information about the appropriateness of taking regulatory action and the appropriateness of moving straight to sanctions as opposed to going to notice of noncompliance, which is the alternative route.

Senator CHRIS EVANS—Yes, but given that you imposed sanctions in the end, clearly you were not happy with the provision of the service or the response.

Ms Hefford—That would have been the delegate's decision.

Senator CHRIS EVANS—Who is the delegate? Is the delegate here?

Ms Hefford—No. The delegate would have been either the state manager or the assistant state manager of the Victorian office. The delegate is almost always somebody at the state office who is involved with those meetings with the approved provider.

Senator CHRIS EVANS—Is it fair then to say that the delegate was not satisfied that remedial action had been taken or that conditions had approval?

Ms Hefford—I think it would be fair to say that the delegate made a judgment that some of the issues were genuinely serious in nature and related to the health and wellbeing of individual residents, and that the approved provider was not moving quickly enough to ameliorate those issues.

Senator CHRIS EVANS—Do you think it is a reasonable process then that we had the delay from 1 September to 13 October before those sanctions were imposed?

Ms Hefford—It depends whether or not you think the important outcome is the imposition of the sanction or the important outcome is the rectification of the problem at the service.

Senator CHRIS EVANS—A key point, Ms Hefford. The other question then is: is it satisfactory to wait from 1 September to 11 October before there is a support visit? But, either way, nothing happened for six weeks.

Ms Hefford—In that time there would have been contacts between the department and the service by phone, and there would have been contacts with the service by the advocacy service, who would have identified issues if they thought there were issues, and would have contacted us. We certainly during that time received no complaints at all about that service from residents or staff or anybody else.

Senator CHRIS EVANS—Is there a reason why you chose not to try and put an administrator in on this occasion?

Ms Hefford—The delegate must make a decision. To take regulatory action is the first decision. The second decision is either to go down the path of notice of noncompliance, notice of intent, or go directly to sanctions. In going directly to sanctions, the delegate must also look at the issues that have been identified and the extent to which a particular sanction will help ameliorate those issues. If you believed that there were substantial issues around clinical care, for example, and you believed that the approved provider was not moving quickly to address those, you might appoint a nurse adviser. If you believed that the issues were more broadly about maintenance of the facility, contracts and other issues around staffing and so on, you might get an administrator who might have responsibility for the broader day-to-day operation of the service. However, if you felt that the approved provider was taking steps to address the issues, had changed certain procedures already and had provided an action plan that showed that they were moving quickly, then you simply might take a sanction which related to a financial penalty against the approved provider, as opposed to one which was about appointing an administrator or appointing a nurse adviser.

Senator CHRIS EVANS—And that is really what you did on this occasion, isn't it?

Ms Hefford—Yes. It is about trying, within the legislative framework, to ensure that the steps you are taking are appropriate to the level of risk that has been identified and all of the documentation that is provided to you.

Senator CHRIS EVANS—And what sanction did you impose on this home on this occasion?

Ms Hefford—I would have to check, but I can look that up for you.

Mr Taylor—While Ms Hefford looks that up I could just make a point. In relation to the issue of administrator and adviser, it is a very serious sanction indeed, because basically under the act as it provides now, unless the provider actually agrees and an administrator or adviser is subsequently appointed, then potentially the approved provider's approval can be revoked. I just wanted to point out the seriousness of that particular sanction. It is an extremely serious one and would have very serious consequences for residents, so I would think that it would be one that a delegate would not easily go to, although it can be a very effective sanction at the same time.

Senator CHRIS EVANS—Thanks for that. I do not disagree, but there is also the question of whether the other response is adequate and whether the time delays and the protection of the residents has been met in the interim. My concern is that it seemed to be six weeks before there was another contact. And, as I understood it, you used the administrator as a way of ensuring that proper care was being delivered when he had a serious risk report. If you do not use the administrator route, then it seems that we have the alternative, which is a contact visit six weeks later, and I am just raising concerns about that. I have raised them before. We now have a bill before the parliament which allegedly is going to fix some of the concerns, but increasingly I suspect that it is not going to fix them because it does not deal with the issue about provision of immediate protection to the residents. You leave the same provider in charge for a lengthy period of time.

Mr Podger—Senator, I am not up on the detail, but there is an issue here of the judgment of the delegate which goes beyond the immediate material in the documents, including their understanding of the home, of the umbrella church organisation around it and things of that sort which would impact on her decision about when she does what. I do not think the assumption from this that somehow there was nothing done for six weeks is in fact quite right. There was a contact straight after the initial one on 2 September, but I cannot explain the details of it, but I think there are other considerations which will affect the actions of the department.

Senator CHRIS EVANS—I think your point about the delegate is right. What I am concerned about is the process—and we have been at this for a while now—and whether the complaints process and what the department has as tools to respond to these things are adequate. I am increasingly of the view that they are not. That is my opinion and it may or may not be of any interest to you on that matter and it is, as I say, a question of the bill before the parliament about how we do this better. The press release from the Commissioner of Complaints only acknowledges that the agency received the serious risk report on 12 September. It did not mention the fact that initial advice about that was in fact 1 September. I am only trying to ascertain what the department and the agency do following 1 September when they get a serious risk report and whether that is adequate. What we have learnt today is that the first support visit was 11 October and the sanctions were imposed on 30 October.

Mr Podger—But there had been—

Senator CHRIS EVANS—If there are other things that happened in the meantime this is your chance to tell me and make that case.

Mr Podger—I will let Ms Hefford go through it, but as I understood it there was a contact immediately after the first indication at the beginning of September and there was a follow-up meeting after 12 September.

Ms Hefford—Senator, it also depends on the way in which the approved provider responds. In the case of 75 Thames Street, the approved provider is the Uniting Church who were, to be frank, devastated that there had been this finding and were very willing to work with us and have made extensive changes since that time. They, for example, moved to terminate the employment of a number of senior people. They moved to introduce new, very good staff who had proven track records from other facilities of theirs around the country. They were very cooperative, very willing to work with us and have repeatedly said that they will take all steps to fix any problems identified at 75 Thames Street and that they will continue to provide for the continuity of care of those residents regardless of any outcome in relation to accreditation.

If you are dealing with somebody who is always willing to go the extra mile, who puts in that effort, who immediately is out at the service changing the way in which staff rosters are done, changing training that has been provided to staff and putting in extra staff, it makes a difference to the way in which a delegate makes the judgment about how many times we would need to send people out to the service and the kinds of checks that we would need to make.

Senator CHRIS EVANS—I accept that. I accept what you say about the Uniting Church and the way they operate and that this was very much a case of a rogue management from their point of view. I do not dispute that at all. I know they are mortified about what happened. The point I am interested in is your process and how you respond. For instance, when was the management dismissed and changed at the home?

Ms Hefford—I do not have the dates for when the Uniting Church made decisions of that kind. I know they moved in very quickly and we were very satisfied with the responses we always had to our letters and telephone calls. Can I go back to a question you asked about the sanction?

Senator CHRIS EVANS—Sure.

Ms Hefford—You asked about the nature of the sanction that was imposed. In fact we did go the sanction ‘appoint a nurse adviser’.

Senator CHRIS EVANS—You did, in the end?

Ms Hefford—We went to ‘appoint a nurse adviser’ and we went to ‘no Commonwealth funding for new residents for a period of six months’.

Senator CHRIS EVANS—Why did you appoint a nurse adviser six weeks later if you had been reassured about the standard of care?

Ms Hefford—Again, it is a judgment for the delegate. It is a judgment about what the care issues involved are and the extent to which the issues that have been identified relate to care, as opposed to other management issues around the service. It also is about consistency in decision making. The delegate would have been aware of the decisions that that delegate had made recently when given similar sorts of evidentiary material and making judgments about other services. The delegate must take into account a range of issues.

Senator CHRIS EVANS—Thank you for that. I am happy to leave Thames Street hostel there. I want to ask about Kenilworth now. Ms Hefford, I am sure that is part of your file as well. I know Ms Murnane might want to say something. I have received contact from the minister's office and the department that they have some legal concerns regarding questions about the Kenilworth Nursing Home. Perhaps I ought to give the department a chance to put on the record what they want to say about that and then take it from there.

Mr Taylor—Perhaps I could put something on the record, Senator. There is a whole series of matters currently before the AAT involving both homes and the approved providers of both homes.

Senator CHRIS EVANS—By that you mean Kenilworth and Belvedere?

Mr Taylor—That is right. That commenced two days ago and it is going into the third day today. As we are here today the AAT is continuing to hear the matter. In those circumstances we think it would not be appropriate to discuss details concerning the two homes, given that the AAT is handling it right at this moment. The issues that the AAT are examining are quite broad ranging.

Senator CHRIS EVANS—Yes. I accept there might be some sensitivity and there are some areas I do not want to go to for that reason, but I think there are some things that perhaps we could explore—bear in mind the minister has spoken about it in parliament, et cetera. The other point to make, I suppose, is that the last time we had a discussion about this we could not talk about things because we were before the Federal Court. I do not know whether these are timed to coincide with estimates hearings—

Mr Taylor—You will have to ask the applicant about that, Senator.

Senator CHRIS EVANS—Yes, or the department.

Ms Murnane—We had nothing to do with that.

Senator CHRIS EVANS—It is just a happy coincidence, obviously, but I do want to be clear in my own mind what sanctions have been applied because, looking at the web page the department has set up, the sanctions do not seem to coincide with what the minister said in the house. The sanctions page, I think, showed five bed licences had been removed and the minister talked, I think, about a total of 15.

Mr Taylor—Yes.

Senator CHRIS EVANS—I am just not clear in my own mind what sanctions you have applied.

Mr Taylor—There is a range of sanctions that have been applied in respect to Kenilworth. There have been two sanctions that have removed five places each. The reason there might be some confusion between what the minister has said and what is on the web site is that the web site is updated on a regular occasion but not instantaneously as soon as the sanction is actually imposed. That would not be an efficient use of time and so we do it at a regular interval. There might be some time delay between—

Senator CHRIS EVANS—No, I accept that, Mr Taylor. That is why I wanted to clarify it. But the minister said, 'We have withdrawn or revoked 10 beds with a further five subject to notification.'

Mr Taylor—That is right. There were 10 that had been revoked. The further five have not been the subject of an effective sanction at this stage. The reason is that in that instance there was no immediate and severe risk. It means the sanction process proceeds by a series of

notices. The stage we are up to with those particular five is that there is a notice of intention to impose sanctions and that means the provider then has an opportunity to respond to that particular notice.

Senator CHRIS EVANS—Are you able to give me the dates or table for me what sanctions have been applied in relation to Kenilworth?

Mr Taylor—Yes, I will go through that if you like.

Senator CHRIS EVANS—Do you want to go through it, or just table it? Is it an easy document? Whatever suits you best.

Mr Taylor—Perhaps if I could just go through it.

Senator CHRIS EVANS—Yes, sure.

Mr Taylor—We are happy to table that, Senator.

Senator CHRIS EVANS—All right, I thought that might be easier.

Ms Hefford—What I have here is a print-out from the web site which details the sanctions that are currently in place. I am happy to table that.

Senator CHRIS EVANS—Has that got five or 10 beds in it? The last time I looked at the web you only had five up.

Ms Hefford—It has the 10 beds. The reason that we do not immediately put a sanction on the web site is that we take time to identify the issue for residents and family members before we make it public.

Senator CHRIS EVANS—I am trying to get to the bottom of it, because what the minister said and what was on the web site did not coincide. I thought you would probably have another sanction, but I was trying to track that down. There is currently then two active sanctions and one notice. Is that fair?

Mr Taylor—There are two instances where places have been revoked in respect to Kenilworth, five places each.

Senator CHRIS EVANS—Are there other sanctions applying to Kenilworth as well?

Mr Taylor—There are other sanctions that apply and that table will set out the other sanctions.

Senator CHRIS EVANS—Can you tell me whether there are still residents at Kenilworth?

Mr Taylor—I understand there are still residents.

Ms Hefford—There are five funded by the Commonwealth and one unfunded resident, a total of six.

Senator CHRIS EVANS—Currently the proprietor there has 30 bed licences, less 10.

Ms Hefford—Correct.

Mr Taylor—That is right.

Ms Hefford—Another sanction is in place which prevents the approved provider from getting Commonwealth funding for new residents.

Senator CHRIS EVANS—Mr Taylor, are you able to tell me what the matter is before the AAT? I do not mean for you to tell me the case, but what is the case about?

Mr Taylor—Yes, broadly. The provider has challenged a range of sanctions decisions that the department has made and, in response to that, the provider is alleging a series of issues, some connected with the imposition of the sanctions and some broader ranging issues. But, effectively, the matters that are before the AAT are in respect to the sanctions decisions.

Senator CHRIS EVANS—Is he seeking to have the sanctions overturned? Is that a fair summary?

Mr Taylor—That is correct, yes.

Senator CHRIS EVANS—Does that action include the Belvedere Home? Are there any sanctions on that?

Mr Taylor—It does. It includes both.

Senator CHRIS EVANS—What are the sanctions on Belvedere currently?

Mr Taylor—I will just check that, Senator.

Senator CHRIS EVANS—Are these division 10 sanctions as well?

Mr Taylor—No. They are under the sanctions provisions under division 67.

Ms Hefford—The sanctions currently in place at Belvedere are no Commonwealth funding for new residents for a period of 12 months—that began on 16 August—and no further allocation of places for a period of 12 months.

Mr Taylor—Senator, I will correct that. It is division 66 not division 67.

Senator CHRIS EVANS—Are the sanctions on Belvedere purely related to complaints about Belvedere? They are not arising out of action against the provider in Kenilworth?

Ms Hefford—Sorry?

Senator CHRIS EVANS—I am trying to understand. Do the sanctions in relation to Belvedere relate to care issues at Belvedere rather than other issues?

Mr Taylor—Yes. There is one set of sanctions that relates to the impeding of agency assessors. That is one of the matters that is subsequently before the AAT.

Senator CHRIS EVANS—Is that arising out of an incident at Belvedere or Kenilworth, or both?

Mr Taylor—That is arising out of incidents at Belvedere.

Senator CHRIS EVANS—Have there been any licences revoked at Belvedere?

Ms Hefford—No.

Mr Taylor—No.

Senator CHRIS EVANS—Can you explain to me the division 66 power, Mr Taylor.

Mr Taylor—Your question, Senator, was what provision of the act the sanctions came from.

Senator CHRIS EVANS—Yes.

Mr Taylor—Section 66-1 sets out the sanctions themselves and division 67 sets out the process or the procedure by which sanctions are imposed, and particularly going to that issue of whether or not it is this lengthier process if there is no immediate and severe risk or, if there is immediate and severe risk, proceeding straight to sanctions, rather than giving the provider further notice and opportunity to respond.

Senator CHRIS EVANS—Thank you for that. This is more of a philosophical question, but the removal of licences obviously does not do anything for the residents currently in the facility.

Ms Hefford—No.

Senator CHRIS EVANS—It is, again, this question of a financial penalty on the provider but it does not address the care concerns. Could you tell me what has been happening in the agency or the department concerning care at Kenilworth and Belvedere.

Mr Taylor—I will say that I think it would have an impact on care in the sense that, if a provider's asset has effectively been removed or reduced, then that is a very strong incentive, I would have thought, to improve care.

Senator CHRIS EVANS—I think the current case proves that wrong, doesn't it, Mr Taylor? That might get us into the legal argument. But you predict that, because you are giving a financial penalty, they will improve.

Mr Taylor—No.

Senator CHRIS EVANS—I think the current case proves that to be untrue, doesn't it?

Mr Taylor—I am not saying that, Senator.

Ms Murnane—The purpose of the financial penalty is obviously, as Mr Taylor says, to sharpen the provider's awareness of our resolve to ensure that residents are provided with care. Senator, if we can go back to your question about what we—

Senator CHRIS EVANS—What else is happening, basically?

Ms Murnane—Yes.

Ms Hefford—I can say that the agency, the department and the advocacy service have been regularly visiting Kenilworth, including weekends and after-hours visits. We have written to all residents at Kenilworth, and family members, on more than one occasion. There have been several meetings with residents and family members. We have worked with those families who have identified that they choose to move to alternative accommodation. That is one of the reasons there are only six residents remaining at Kenilworth. But, clearly, we need to continue to work with the approved provider. On each occasion that we find that there is an issue of care, we take up that issue with the approved provider. We require them to come in for a meeting. We go through all of those steps that we have talked about previously with 75 Thames Street with a service like Kenilworth and we keep repeating that cycle, but we also keep working to ensure that residents and their families understand the steps we have taken and understand the options that are available to them.

Senator CHRIS EVANS—Have you had serious risk reports on those inspections in March, September and October? Have they all produced serious risk reports?

Ms Hefford—I would have to check that.

Mr Taylor—Senator, I will mention again that we seem to be going into those areas that we said we had some concerns about, because these are exactly the sorts of matters that are being—

Senator CHRIS EVANS—I am only asking you to confirm what is on your web site, which is the audit review reports. This is publicly available information, Mr Taylor. I am quite sensitive and I will not do anything to upset the case, but I think to suggest that I cannot ask,

‘Have you done a review audit report and did it find serious risk?’ if it is on your web site, is not—

Ms Hefford—I can confirm that we did have serious risk in March, September and October.

Senator CHRIS EVANS—When did the regular visits commence?

Ms Hefford—Some time ago. There was correspondence some time ago also. We have been, together with the advocacy service and the agency, visiting Kenilworth on a very regular basis.

Senator CHRIS EVANS—But during that time the standard of care continued to pose a serious risk, as successive audit reports have found.

Ms Hefford—I do not have the audit reports before me and serious risk has not always been around the sorts of clinical care issues that we are talking about.

Senator CHRIS EVANS—But it is a fact that the standard of care has continued to be substandard, despite all that attention and despite the series of reports.

Ms Hefford—Kenilworth continues to be a facility that, yes, we have concerns about. The service is not certified. The approved provider has yet to provide a valid application for accreditation. We continue to find difficulties when we visit the service. We continue to talk with residents and their families about the options available to them. It is obviously important that we balance the care and health and wellbeing of residents against any possible suffering that they may experience if they were perhaps forced to move because the service made a decision to close.

Senator CHRIS EVANS—You balance what you think might be a concern of theirs if they were forced to move versus proof that they are continuing to receive substandard care over a long period of time. I am not sure how you do that.

Ms Hefford—If you talk to residents and their families, explain what you have found, give them copies of the review audit report, talk to them about what the auditors have found, talk to them about the issues affecting their care and whether or not they would be interested in moving to an alternative facility, and they make a judgment that they do not want to move—

Senator CHRIS EVANS—On that basis, Ms Hefford, Riverside would still be open.

Ms Hefford—I think that the issues that are being identified at Kenilworth are not in the nature of those identified at Riverside. There is a difference in the process, in that when we talk to the approved provider at Kenilworth, he continues to be willing to meet with us, he continues to come back with submissions, with alternative approaches to providing care and with action plans.

Mr Podger—Senator, I would ask that we not get caught up in giving our views of one set and another. At this point we are on the edges.

Senator CHRIS EVANS—Yes. I am interested in the process question, though, because it has been my concern for some time that we get successive reports that say, yes, they are at serious risk, but the place is run by the same people and the next time we go back, they are still at serious risk. I am trying to tease out how we do that better, what we are doing and whether we have the powers to deal with that effectively. I am not sure that a financial penalty is the answer.

Mr Podger—I understand the intent of your question. What the officers are advising is that in this case there has been a series of actions by the department and the agency, including sending people out on a very frequent basis, to provide direct support for the care arrangements of the patients at Kenilworth, and also trying to keep the residents fully informed of the situation. There is a level of gradation about how much action you take and at what point you turn around and say you are going to fully withdraw. Those are issues for judgment by the department and its delegates as it moves through. There is a series of steps there. You are quite right. There is a point at which you change from one tack to the next step up the chain.

Senator CHRIS EVANS—What I am trying to explore is why that has not occurred. I am at a bit of a loss as to why that has not occurred.

Mr Podger—At this stage I cannot give a direct answer on that, other than to say that clearly there has been a considerable shift in terms of where the residents and their families have chosen to go, and we have been able to provide some support in the meantime in any case.

Senator CHRIS EVANS—In the last report, Ms Hefford talked about a serious fire risk because of having only one staff member on at night because of, in effect, the run-down of the facility. What has happened to alleviate that danger?

Ms Hefford—I understand that the number of staff at the facility overnight has increased. At the time that we found that, we were concerned and, in fact, I had somebody at the facility on the following weekend, on both the Friday night and the Saturday night, to make sure that at the 11 o'clock shift change adequate staff arrived at the facility. The number of staff on duty overnight has increased.

Senator CHRIS EVANS—Ms Hefford, I do not want to sound as though I am being harsh but, given that you are providing support and care because of other serious risk reports, why is it that you only find out about something like that after there is another audit risk report? Do you know what I mean? If you are providing ongoing management support, why is it that we go from one report to another before action is taken?

Ms Hefford—We have staff who are going to the service and talking to residents and families and meeting with them and asking them if they have any concerns. It takes something like a full review audit to look at staff rosters, to go through the level of detail that you would need to go through, to look at who had been rostered on duty the night before, the night before that. You are looking at quite a high level of detail and analysis. A full review audit takes between two and three days, two or three auditors, whereas what we do is to be there over a mealtime or for a couple of hours in the evening or during the day, talking to families, ensuring that they feel comfortable, that they are clean.

Senator CHRIS EVANS—We are supposed to take some comfort from the fact that you are providing support visits and ongoing contact, but then we do not find out that there is a serious risk, residents dying in their beds, until we have a review audit. Do you see what I mean? I do not understand how we are supposed to take comfort from this ongoing contact—which I would like you to detail if you would not mind. If you could table the sorts of visits and what they did, it would be useful, I think. But I do not understand why that then does not provide the protections, why we then need another serious risk report. Am I making myself clear?

Ms Hefford—You are. There are two processes. The regular visits by the department are obviously one way of keeping ourselves informed and of gathering evidence. As a result of

that, whenever we identify a concern, we are referring that to the agency and the agency is either doing a support contact or a review audit. There have been repeat versions of review audits and support contacts by the agency over a period of many months. The two processes work together. One is simply making sure that we are across what is happening at the service on a daily basis. The other is using any evidence that we gather through that process to ask the agency to again do a full review audit or a support contact, gather evidence, document that material for us, to enable us to consider whether or not we need to take regulatory action.

Senator CHRIS EVANS—I am playing devil's advocate now. You are providing support, you have had two serious risk reports, you have a long history with the provider. You get a report that says there is a serious fire risk because there were not the staff on at night to get them out of their beds and save them in the event of a fire. Where would you have stood if there had been a fire the night before the review audit report? Do you see what I mean? Ms Murnane, I know you look exasperated. I am not trying to be overly difficult.

Ms Murnane—No, I am not. I was just going to say something, Senator.

Senator CHRIS EVANS—It just seems to me that we are supposed to take reassurance from the fact that you are in there helping, but then your own evidence suggests that that is not enough and that there are still serious risks—and this is one of the most serious, the serious risk to their lives because there were not enough staff on that night and had not been for some time. You are managing this at the time. I would have thought that if there had been a fire and someone had died, you would have had a much rougher time at estimates today than you are getting, not to mention in the Coroner's Court. I am trying to explore whether what you are doing and what we are doing as the Commonwealth is satisfactory, given that, as you explained, Ms Hefford, the two processes are together. It just does not seem to be delivering the goods, in my view.

Ms Murnane—Senator, there are many ifs, and I really do not think that it is useful for us to speculate on those. Our staff are there to assure ourselves that residents are in no immediate severe danger, and they have been performing that task. If our staff who are in the home, and agency staff, believe that the situation may be such that we need to proceed upwards on the sanctions, then we are not able to do that on the basis of observation alone. There has to be a rigorous probing and a record of that probing in the form of a review audit report. It is as a result of these constant visits and this invigilating function that our staff are performing that the further review audits took place. That is, people are observing and saying, 'Well, look, this seems to us,' but to confirm it, and to confirm whether or not we are in a position where further sanctions are warranted, we actually need the process of a review audit report and the evidence that is built up in that report.

Senator CHRIS EVANS—Perhaps I could come at it another way. Did you ever provide an administrator or a nurse adviser to Kenilworth?

Ms Hefford—No.

Senator CHRIS EVANS—Are you able to tell me why? You have obviously been concerned. You have had three serious risk reports. You say you are maintaining contact visits.

Mr Taylor—I am probably stating the obvious, but it is a decision for the delegate involved.

Senator CHRIS EVANS—The mysterious delegate!

Mr Taylor—Yes, that is right again.

Senator CHRIS EVANS—Can I ask that at the next estimates hearing, all delegates come as well.

Mr Taylor—You might have quite a few. It is quite difficult in those circumstances, I think, to speculate on exactly what is in the delegate's mind, but the act is premised upon the delegate making the decisions, so I do not think we can speculate about exactly what view the delegate reached.

Ms Murnane—Senator, you made the point that we should be able to talk about material that is currently in the public domain, and we have agreed with that. But as Mr Taylor has said, there is a case before the AAT as we speak, and to speculate on, and come up with our view of, something that is not in the public domain does bear materially on putting the Commonwealth's interest at risk in relation to that case that is currently being heard.

Senator CHRIS EVANS—I am sensitive to that but this question of the delegate and what directions are given to the delegate is an important one. What policy guidelines guide the delegate in making their decision?

Mr Taylor—It is the act that guides the delegate in making the decision. In terms of the things that the delegate must consider they are listed in the act in 65-2 under the heading, 'Appropriateness of imposing sanctions', so there is a whole range of matters that the delegate must consider. Firstly, whether the non-compliances are minor or of a serious nature; whether the non-compliance has occurred before and, if so, how often; whether the non-compliance threatens the health welfare interests of care recipients; and then some other matters that may be relevant as well.

Senator CHRIS EVANS—I accept that and I have looked at those, but are there any departmental guidelines, protocols or instructions in addition to those?

Mr Taylor—No.

Senator CHRIS EVANS—For instance, the absence of appointing a nurse administrator, or an administrator, in these cases seems to me quite surprising. I am trying to find out whether that is because of legal reasons or whether it is a policy decision on the department's part.

Mr Taylor—It goes back to the point that the act is quite detailed in respect to both the matters that must be considered and also the process and the sanctions themselves. So it is a very detailed process that is already set out. One of the difficulties of issuing guidelines is that there is a chance that they may cut across these extremely detailed provisions in the act.

Senator CHRIS EVANS—I am trying to get an explanation as to why you have gone down certain paths and not others, and the answer I get is always, 'It's the delegate,' and I am just trying to be clear.

Mr Podger—In the end it is the delegate.

Senator CHRIS EVANS—There seems to be a pattern of cross-delegates, Mr Podger, a different pattern than was emerging say a year ago, and I am just trying to see how they might have been guided.

Mr Podger—While there are not additional guidelines, there is building up a sense of precedence and so on and that will feed back into the way the delegates operate as we learn through following. You seem to be implying that the department did not go far enough up the chain of sanctions. We have got a case in the AAT where the provider is saying, 'We went too far on that.'

Senator CHRIS EVANS—I am not saying that at all, Mr Podger. What I am asking is why you chose one approach over the other, and I am particularly interested in why the approaches which seem to provide the best option of protection for the residents in the home have not been pursued. That is what I have been trying to get at for the last half-hour. The sanctions that penalise the provider are supposed to wake up that provider and alert them to improving care needs. Quite frankly, we have a lot of evidence now to show that with certain providers that does not work, and this is one of those examples.

Ms Murnane—Senator, there isn't a 'tick the box' answer for the question you ask but there is a contextualisation of each case, and the delegate has to take account of the range of issues that impact on each case. Clearly, there is a story to be told here in relation to why one path was gone down and not another, but that story is not in the public domain and it is not one that can be advanced while this case is before the AAT.

Senator CHRIS EVANS—That is probably right, Ms Murnane. I am not necessarily arguing with that. But I think it is also the case that it seems to be a trend across the department's approach. For instance I do not understand why the nurse administrator route is not used more frequently. That is a very broad question. Is there an answer to that generally?

Ms Murnane—I think it is used quite frequently where appropriate. From the information that is before you at the moment and before us, I think it is pretty hard to start to discern trends and make any sort of categorical statements about trends. I just do not think we are in a position to do that.

Senator CHRIS EVANS—It is an important debate but we are in a position where the government is asking us to amend the Aged Care Act to pursue particular options in relation to that in the next couple of days. Quite frankly, I think a lot of questions will be answered before the Senate will be going down that path, but that is a separate issue. In finishing off questions relating to Kenilworth and Belvedere can somebody give me an update on where the department got to with the investigations regarding the complaints allegations against Mr Graham Manea?

Mr Taylor—Perhaps I can respond to that, Senator. As we have indicated there is a series of matters before the AAT and those matters do involve consideration of key personnel, Mr Manea being one of those. In the circumstances, given that these matters are before the AAT and that they are seriously considering the conduct of one of the key personnel, I do not think it would be appropriate to provide responses on that issue either.

Senator CHRIS EVANS—I think that would be fair except that I have been after that information from you for about two years. First of all, you had lost the complaint, then you could not help me with the answer, then you found it and were not sure whether it was true or not, and now there is a court case on.

Mr Taylor—Could I put it in context, Senator in that I mentioned earlier that there is an issue about a breach of provider responsibilities impeding the agency. Without going into the details of that, because obviously I cannot, that does involve key personnel and it does involve Mr Manea. As I was saying there is a whole list of related issues.

Senator CHRIS EVANS—Maybe I will ask you one question and see if you are able to answer that. Did you ever find out whether or not he had a conviction as alleged?

Mr Taylor—I just do not think I can respond to that, given the circumstances.

Senator CHRIS EVANS—Isn't it a question of fact?

Mr Taylor—I cannot respond to that in the circumstances, Senator.

Senator CHRIS EVANS—All right, we will do it again next time.

Proceedings suspended from 12.56 p.m. to 1.51 p.m.

CHAIR—We will proceed with aged care.

Senator CHRIS EVANS—Could I ask the agency a few questions about the accreditation process. Mr Burns, can you give me an update as to where we are with the accreditation figures in terms of homes accredited, those that failed, who got three in one year, et cetera? Just a bit of an overview.

Mr Burns—These figures are as of Friday, 17 November. We have completed 2,957 accreditation site audits. We have made 2,592 decisions—2,561 services have been accredited nationally, 31 services have had accreditation refused. The breakdown is the number of services accredited for three years, 2,453; the number of services accredited for one year, 100; the number of services accredited for a period other than one or three years, eight; and the number of services refused accreditation, as I have said, is 31.

Senator CHRIS EVANS—There are obviously some 350 decisions outstanding, are there, Mr Burns? That means that they are still in the process of being finalised.

Mr Burns—That is right. They are between site audits and the decision.

Senator CHRIS EVANS—How many other nursing homes or facilities are there that have not had accreditation audits?

Mr Burns—We will finish all site audits this week. We have got a handful to do.

Senator CHRIS EVANS—How many current facilities have not applied for accreditation?

Mr Burns—There are five services that have not applied. Three are closing and two have not applied correctly.

Senator CHRIS EVANS—Kenilworth and Belvedere are the two that have not formally applied?

Mr Burns—That is correct.

Senator CHRIS EVANS—And there are three others who are still operating that have not applied?

Mr Burns—I understand they have indicated they will close before Christmas.

Senator CHRIS EVANS—Are you able to tell me how many services have closed in the last period?

Mr Burns—No. I do not have those figures with me.

Senator CHRIS EVANS—Ms Hefford, are you able to help with that? While you are looking for that I will ask Mr Burns some questions. Mr Burns, 31 have failed accreditation. Are some of those seeking a second go at it?

Mr Burns—Yes, 24 of those have reapplied and are in the process. We hope to complete the process before Christmas, including a decision.

Senator CHRIS EVANS—Are those truncated processes? It seems to me, from application to awarding accreditation, generally it is a fairly lengthy period. You are getting pretty close to the deadline now for people to be seeking accreditation, aren't you?

Mr Burns—That is correct. We have completed all our site audits on the first round so the assessors are able to truncate the process for the desk audit and the site visit.

Senator CHRIS EVANS—So you have not as much work to do the second time around.

Mr Burns—The same amount of work but not the same volume of services coming through.

Senator CHRIS EVANS—What is the minimum time frame you need to deal with a reapplication? On those figures you have got seven that have not reapplied as well.

Mr Burns—The time frames in the principles are maximum time frames. Some of those time frames we have to adhere to because it is natural justice allowing the service provider to respond to the report. We have quite a lot of discretion within that to truncate the process.

Senator CHRIS EVANS—You are telling me there is no minimum time period?

Mr Burns—Only in those areas I indicated where the service provider has time to respond.

Senator CHRIS EVANS—Are you expecting the seven who have not reapplied to fail to reapply also?

Mr Burns—I have no information about those seven but I would speculate that they would not be applying at this stage.

Senator CHRIS EVANS—In addition to the five that have not reapplied, we have got another seven who have failed accreditation and have not reapplied and another subset of 24 who failed but have reapplied.

Mr Burns—I do not know the intent of those seven.

Senator CHRIS EVANS—No. Is it fair to say that if they have not reapplied by 22 November they are leaving it a bit late?

Mr Burns—They are leaving it a bit late, yes.

Senator CHRIS EVANS—Would they still potentially make the deadline if they reapplied now?

Mr Burns—It would be very tight. I cannot answer that. That would depend on the scheduling at state level.

Senator CHRIS EVANS—Have you moved extra resources from some states into other states?

Mr Burns—For what purpose?

Senator CHRIS EVANS—There was a proposition at one stage that you were going to move some assessors from South Australia, Western Australia and Queensland.

Mr Burns—No. We have not moved assessors to conduct accreditation site visits. It was one of our contingency plans, if we were unable to find external assessors at the peak period. That did not eventuate. We had enough assessors to meet the workload.

Senator CHRIS EVANS—You have not moved assessment teams from one state to the other?

Mr Burns—Not for accreditation but we have used assessment teams or quality assessors from interstate to form teams for reconsiderations. On a couple of occasions we have brought assessors from interstate to conduct a site audit for the purpose of reconsidering a decision.

Senator CHRIS EVANS—Why is that?

Mr Burns—We did that deliberately so that it is a fresh approach. We did not want to use the same team to go back, having made the first decision. It gave a broader picture the second time.

Senator CHRIS EVANS—Have you done that on all reconsiderations—brought in another state?

Mr Burns—No, not on all reconsiderations.

Senator CHRIS EVANS—Did we get a feel for how many organisations had yet to be audited?

Mr Burns—All site audits will be complete by this Friday.

Senator CHRIS EVANS—The department was going to help me with some figures on how many nursing homes there are compared to those that have actually had the audits done.

Mr Burns—The situation is in constant change because services are selling beds to others. It is not a static situation. That is why I gave you the snapshot from last Friday.

Senator CHRIS EVANS—Are we able to say how many nursing homes have closed in the last three months?

Mr James—I can give you information as between 1 July 97 and 30 August 2000. We have 173 aged care facilities nationally, comprising 6,200 places we have approved to relocate and/or close.

Senator CHRIS EVANS—Can you break that down by close or relocate?

Mr James—Of the 6,200 places, 2,269 were sold to new aged care providers for relocation; 487 places were sold to new aged care providers for the same facility; 1,337 places for relocation to different facilities owned by the same provider; 796 places combined with other facilities at the same or at different locations; 160 places converted to community aged care packages; 267 places combined as part of a multipurpose service at the same or different locations—country areas; and 884 places held pending restructure of the facilities, held pending sale or permanently closed. To our figures to date, less than 100 places have been permanently closed.

Senator CHRIS EVANS—Those figures were from 1 July 97, were they?

Mr James—Until 30 August 2000.

Senator CHRIS EVANS—Do you have a more recent breakdown of those?

Mr James—I would have to check. We get the figures from our state offices as they get reports from facilities.

Senator CHRIS EVANS—I would have thought there would have been more activity closer to the accreditation deadline.

Mr James—I will take that on notice and provide you with an update.

Senator CHRIS EVANS—I would appreciate it if you could do that. In terms of the relocation, what time period is allowed for them? Obviously some providers purchase them with a view to combining them with something else to build a 60-bed place or whatever. How long have they got?

Mr James—It is really based on when they can get the new beds into place and they can get it suitable for people to enter. Usually, the rule of thumb under the new requirements

under the act that was put in in 1997 is that there are two years to get up a new aged care place.

Senator CHRIS EVANS—Does that formally apply to these relocations, though, or not?

Mr James—I would have to take that on notice. I am not sure—no, it does not formally apply.

Senator CHRIS EVANS—They might take a bit longer than two years?

Mr James—They may well do, that is right.

Senator CHRIS EVANS—And have you any feel for or figures on how many beds are in the system that are currently between beds, as it were?

Mr James—Pending.

Senator CHRIS EVANS—Yes, in the pending file.

Mr James—Yes, I do have an estimate of that. There are about 1,800 transfers pending at the moment.

Senator CHRIS EVANS—That means that there will be 1,800 beds that are available to the system but that have not been provided to a resident at the current time, does it?

Mr James—That is correct. They are subject to restructuring and finishing, rebuilding and things of that nature.

Senator CHRIS EVANS—They could come on line any time in the next couple of years, depending on when they went off?

Mr James—Hopefully a bit sooner than that but possibly some of them could last that long.

Senator CHRIS EVANS—Mr Burns, you said the vast majority of your figures—I think 2,453 of approximately 2,561—got three-year accreditation. As I recall, that is a lot higher than your targets for three-year accreditation when you started that process. Isn't that right?

Mr Burns—I cannot remember what the targets were but I suspect that is true, yes.

Senator CHRIS EVANS—I do not remember the figure but I remember looking at it and thinking it was quite different to what you had predicted. Can you explain that for me?

Mr Burns—I think there are a number of factors. We did a lot of work with services before we commenced accreditation. If you remember, we started accreditation in September 1999 and the agency was formed in the early part of 1998. We spent a great deal of time educating services and visiting services prior to accreditation commencing. Quite an amount of accreditation and training went on through that period and services I think became more aware of the requirements of accreditation through that period.

Senator CHRIS EVANS—What about one-year accreditation, because, as I understand it, one-year accreditation is basically a promise that you are going to come up to scratch, isn't it?

Mr Burns—Well, clearly they have work to do, yes, but we felt that there was a commitment there to progress their continuous improvement plan and on that basis we wanted to ensure that they received further support from the agency and a further visit within a year.

Senator CHRIS EVANS—Does that mean that you visit them at the end of the year or that you provide support visits during the year?

Mr Burns—We provide support visits on an ongoing basis through the year.

Senator CHRIS EVANS—And the eight in the other category, other than one or three, what does that mean?

Mr Burns—We are not obliged to accredit for any particular period. The principles allow us to make a period of decision ourselves and in some cases the decision-maker has opted to go for maybe 18 months or 2½ years.

Senator CHRIS EVANS—That brings me nicely to the question of consistency across certification, which has been raised with me on a number of occasions. I have had suggestions put to me, for instance, that some facilities have been granted three-year accreditation, despite receiving an unsatisfactory rating in one area. I gather from the guidelines that they should have got a one-year accreditation. Can you explain to me how it is possible that you get a three-year rating if you have an unsatisfactory rating?

Mr Burns—There are a number of criteria that the decision-maker has to take into account when coming to a decision. The guidelines that you are referring are only one of those considerations. Performance against the standards is clearly a major consideration but there are others as well.

Senator CHRIS EVANS—As a layman, Mr Burns—I am playing devil's advocate—I find it hard to understand how a place can get a three-year accreditation, the top mark, if you like, the top standard of acceptance, yet be proved to be unsatisfactory in one of the areas of assessment. I just do not understand how that can be.

Mr Burns—It is not a pass or fail system. It is one of improvement, and where a service can indicate that they have a plan for improvement and can persuade the agency that that plan will be carried through, we would award maybe the longer period of accreditation, and then put in place a series of support visits to ensure that plan was being carried through.

Senator CHRIS EVANS—I take accreditation to be a sign that they have reached the standard, not a promise that they are going to get there. I thought that is what the one-year accreditation was for, in the sense that you may well accept their bona fides on getting to a standard but, as a member of the community, I would expect that three-year accreditation meant that this place was running satisfactorily and that they had met all the required standards. I was very surprised when it was raised with me that the places that had been found unsatisfactory in a particular category had received that.

Mr Burns—Perhaps I can give you an example to illustrate it. A service that has a fire door blocked is clearly unsatisfactory. If they had no policies and practices or staff training in place for fire evacuation, that would clearly be critical. However, if they have got all those policies and practices in place and are seen to be operating them, the fact that the fire door is blocked may be just a single event. It is unsatisfactory and may be rated that way, but it would not necessarily lead to a one-year accreditation because that could be rectified very quickly, so there is no systemic failure.

Senator CHRIS EVANS—If it were that simple, would it not have been rectified while you were there?

Mr Burns—Sometimes that is the case and that happens. Other times it may take them a week. We had the question of the lock that was not working. It might take them three or four days to get a locksmith in, so they might receive 'unsatisfactory' but it would not lead necessarily to a one-year accreditation.

Senator CHRIS EVANS—I guess I am putting to you that I have already had complaints from constituents about it. The general uneducated person coming to aged care finds it very

hard to understand how you can find a place unsatisfactory and then give it three years accreditation. I am one of them, Senator West is another. I suspect it is something you might like to have a look at because I think already we are getting feedback from people saying, 'How can they be unsatisfactory and get three years accreditation?'

Mr Burns—I think it could be the way it is described. We spoke this morning about serious risk and the definition of that. I think the same can apply to 'unsatisfactory'.

Senator CHRIS EVANS—Yes, that is right. What about places under sanctions? Are they being accredited as well? There are a number of nursing homes under sanction currently. Do they receive accreditation while under sanction?

Mr Burns—If there was a review audit that led to revocation of accreditation and sanctions were implied—

Mr Taylor—There is a range of considerations, as Mr Burns has pointed out, in terms of the agency working out whether or not it will accredit a service, and some of those matters concern material that is provided to the agency by the department. It is very likely that if sanctions had been imposed that would be the kind of material that was provided to the agency by the department and then the agency would consider that material along with the rest of the material we are obliged to consider in making a decision. So it is a matter of balancing that with the full range of other material that the agency receives.

Senator CHRIS EVANS—Do I take that to be a yes then?

Mr Taylor—A yes in the sense that it is material that the agency is obliged to consider?

Senator CHRIS EVANS—No. What I am saying is: will the agency accredit a place while under sanction if it meets whatever test applies?

Mr Taylor—That depends on the decision-maker in the agency.

Senator CHRIS EVANS—But in a theoretical sense, is it possible for a nursing home that is currently the subject of sanction to receive accreditation?

Mr Taylor—It is possible, yes.

Senator CHRIS EVANS—So the agency will make an independent decision on each of the homes currently under sanction as to whether or not they get accredited.

Mr Burns—It would be one criterion the agency would consider, yes.

Senator CHRIS EVANS—Because there are a number of homes under sanction now, not just the two we discussed this morning. They also face the 31 December deadline. I am interested to know whether they were receiving different treatment, or whether they had to meet the accreditation hurdles the same as every other nursing home.

Mr Burns—It would depend upon the weight of evidence we had from the department about the sanctions and the reasons for the sanctions.

Senator CHRIS EVANS—But theoretically, they have to apply for and receive accreditation while under sanction, effectively, if they are under sanction.

Mr Burns—Absolutely, yes.

Senator WEST—Regarding the issue of the accreditation length of time and this 'unacceptable, excellent, good, unsatisfactory'—I have not seen too many worse than that. I am looking at one here now that has been given three years and yet on health and personal care it is rated as unacceptable. It is rated as unacceptable because the review of resident

records indicates that the medical admission processes were not always completed and documented within an acceptable time frame. That is not good. Medication seems to be okay; it is managed on blister packs. Incident reporting mechanisms are in place. Audits are conducted regularly. Palliative care wishes are identified and known. But it was identified that individual continence management programs are not consistently implemented in accordance with identified needs. It was confirmed during the audit for the care plans by the team that there is little evidence of the use of contemporary practice to manage continence. Effective evaluation of incontinence programs is not consistently undertaken.

It has a 24-bed dementia specific unit. Feedback from relatives and staff indicates that individualised behavioural management programs are not being consistently developed to address these residents' identified care needs. Observations by the audit team confirm that there were minimal opportunities provided to engage these residents in therapeutic activities. Feedback from residents, relatives and staff indicated that mobility programs previously developed by a physiotherapist were not being consistently implemented. Care plans do not always reflect the residents' mobility and dexterity care needs. There is little evidence of programs for maintenance of mobility and dexterity being developed or implemented. I would have thought that is fairly damning criticism of the level of care that is given and yet this place gets three years.

I have another one here that I can pull up—you probably do not want me to, but I can pull it up—which indicates one place that was unsatisfactory in three of the four elements gets one year of accreditation. I just have concerns, as has Senator Evans obviously, about what you are doing. Why are they getting this accreditation? It is not just whether the door on the fire escape is unlocked or locked. This is getting down to actual levels and standards of care and I have concerns about it. Why, when you get a level of care that appears to be not adequate, are they having three years given to them? Does this mean that nobody is going back in the next three-year period to look at the level of care that is given to the people in that nursing home?

Mr Burns—No, that is not the case, Senator. I can describe the process to you. There are two separate issues here. The first is that the decision is separate from the report. The report is the view of the assessors and it is a critical part of the decision. But the decision-maker has to take into account other criteria, and that includes a response from the service provider to the report of major findings which is left on site, and the decision-maker must take into account plans for improvement. The second issue is that the services are not left alone for a three-year period. The agency is obliged by law to continue to provide support contacts and to continue to visit those services. Clearly the decision on the number of support contacts is made at the time of the decision and the decision-maker may decide that the service needs a number of support contacts in the first five or six months, or fewer, depending on the issues that are raised that come out through the criteria that the decision-maker is considering.

Senator CHRIS EVANS—I have not worked it out—my maths is not good enough—but you are giving a sort of 97 or 98 per cent three-year accreditation pass to the industry. Accreditation was allegedly about raising standards, but we get people who are unsatisfactory, according to your categorisation, receiving three-year accreditation. I seem to recall your original estimate for a three-year accreditation was in the order of 60 per cent. I stand to be corrected; someone in the room will remember. But it has leapt, it seems, to 97 or 98 per cent. Homes which you have quite critical reports on are being given three-year accreditation. I am just not sure how that is helping to lift standards if they are getting the highest possible tick at a time when clearly their standards are not appropriate in certain areas.

Mr Burns—Because to achieve accreditation they have to demonstrate continuous improvement. Many of those services have been able to clearly demonstrate that where there is unsatisfactory performance they will remedy that performance. The agency will monitor whether or not they continue to do that.

Senator CHRIS EVANS—That takes us to Undercliffe Nursing Home in WA. I suppose it is a useful time to raise that. This is a place that, six months later, failed half the care standards. This proof about their continuous improvement is of interest to me. Clearly there was not continuous improvement. Clearly they went backwards to the point where you removed their accreditation. They failed, as I recall, 22 or 23 of the 44 care standards some six months later. I am assured by the minister via press release that this is a sign of the system working. We obviously have a different take on it. I am glad that the place was visited and the problems identified, but if you ask me to have confidence in you giving 98 per cent of the industry three-year accreditation and that they are continuously improving, I say to you, ‘What happened at Undercliffe and what went wrong there?’

Mr Burns—I was going to use that as an example for how the system of support does work, because there—

Senator CHRIS EVANS—That is where the minister got the line from—sorry, Mr Burns.

Mr Burns—Here is a service that clearly has had inconsistent process and inconsistent standard of care that was picked up. Yes, they got three years of accreditation in the first instance but through a further support and review audit it was clear that they had dropped the ball.

Senator CHRIS EVANS—Why did they have a further support and review audit?

Mr Burns—Because, as I explained, we are obliged to continue to support—

Senator CHRIS EVANS—It was not as a result of a complaint?

Mr Burns—It was partially the result of a complaint, but it actually occurred at the time when the support visit was due anyway. So we used the information from the complaint to—

Senator CHRIS EVANS—So you are visiting all places that you give the three-year accreditation within six months, are you?

Mr Burns—Not all of them, no. As I said, that is an individual decision made by the decision-maker at the time.

Senator CHRIS EVANS—So the decision-maker gives a three-year accreditation but at the same time says, ‘We ought to go back within six months.’

Mr Burns—Yes. In this case there was a support visit scheduled for June.

Senator CHRIS EVANS—But in the meantime you got a complaint.

Mr Burns—That is correct, at the end of May. We went back in early June.

Senator CHRIS EVANS—And you went back and found the place was substandard.

Mr Burns—Yes.

Senator CHRIS EVANS—What does that say about the quality of proof about improving standards over time?

Mr Burns—I think that service clearly was inconsistent in its standard of care.

Senator CHRIS EVANS—It makes the case to me for surprise inspections and regular visits. I do not know that it makes the case for you ticking off, saying this was a three-year

accredited sort of place when you did, though. As I understand it, what they largely did was hired extra staff, brought in some machinery and made you a lot of promises. You said, ‘Yes, here is the three-year ticket.’ Off they went. The moment you went out the door the staff went, the machinery went and they went back to a very substandard operation. That is what the staff tell me. What confidence are we to have in three-year accreditation if that can occur?

Mr Burns—As I said, it is up to the provider to provide the standard of care. If they drop the ball the day after, then that is an issue that will be picked up subsequently.

Senator CHRIS EVANS—You assured me the last time we talked about this that you pick up questions like rosters at the time, and I am saying to you quite clearly you are not. Quite clearly, this is one of the cases—and I have others—where rosters and arrangements are put in for the specific purpose of passing accreditation and then the moment you leave they have reverted.

Mr Burns—Senator, I think that is not the whole story. There are certainly services who employ staff to assist with the preparation for accreditation—absolutely.

Senator CHRIS EVANS—That is legitimate; I accept that.

Mr Burns—That is so that the service can continue to provide a level of care to the residents while—

Senator CHRIS EVANS—Yes, and there are specialist skills that people take on to help with the training of staff. I accept all that.

Mr Burns—That is right.

Senator CHRIS EVANS—I am talking about people on rosters who are not there the day after, people who are allegedly providing care.

Mr Burns—I cannot comment on the individual case because the teams look very carefully at the staffing issues and the adequate staffing arrangements.

Senator CHRIS EVANS—So you went back into Undercliffe six months later, failed it, removed its accreditation, and then I think within a few months you went back in again and it received a one-year accreditation. Is that right?

Mr Burns—That is correct. The service asked for reconsideration of the revocation of accreditation and, as a result of that, we went back in and conducted a further site visit with another team, which resulted in a new report.

Senator CHRIS EVANS—Are you saying to me that the place had changed between the second and the third reports or that assessors had a different view of it?

Mr Burns—I believe certainly the service had changed in that period. There was about a three-month gap and the service had a shock—their accreditation was revoked—and did a lot of work to address those issues.

Senator CHRIS EVANS—Can you understand people having some concern about how, over a period of nine or 10 months, you can get three separate reports on the place and have three quite different results—a three-year accreditation, a fail, and a one-year accreditation? I am not saying you have all the answers to that, in the sense that the standard of care may drop or rise during periods, but my concern is that you gave it a three-year accreditation tick. All the reports I have say that they dress the place up for that purpose and I then worry about what other places might have three-year accreditations on the basis of putting on a show for you.

Mr Burns—On the day, we conduct an extraordinarily rigorous process. We go through every aspect of a service over a two-day period and it is not difficult to get on to issues very quickly. We cannot foresee the future, though.

Senator CHRIS EVANS—No. But it seems to me that, for a place to go from a three-year accreditation to failing half the care standards, there is a fairly big deterioration, at least on the face of it, isn't there?

Mr Burns—I think there was a deterioration, yes.

Senator CHRIS EVANS—It is a question of when that occurred, I suppose. I have seen a number of your one-year accreditations. They seem to be very much about promises. 'You get accredited on the basis that you undertake that the place will be better next time we come.' Is that fair?

Mr Burns—Certainly we want to keep those services under close scrutiny, yes; hence, the support visit schedule. We do not believe it is sufficient to fail the service.

Senator CHRIS EVANS—That is really what I am trying to tease out from you. You have 97 per cent or whatever getting a three-year accreditation top mark, you have 100 getting a pass mark and you have eight others, and you have 31 rejected for accreditation. It is a fairly low fail rate and it is a very high distinction rate. I am trying to tease out why that is, why it is so contrary to expectations, and what is it we are saying when we have a three- or one-year accreditation. Questions have already been asked, the questions about consistency across states and about consistency across the award of three years accreditation. Obviously people want to be reassured that there is an integrity and rigour about the system.

Mr Burns—For the first time, every service in this country is being audited against the same set of standards and has a schedule in place to ensure that those standards continue to be met. It is an ongoing process.

Senator WEST—Where do I find on your web site the original accreditation decision report for those that have review accreditation visits? Should it be on the web site as well?

Mr Burns—The web site has several areas.

Senator WEST—Yes. I mean reports. The accreditation decision reports is one and then you go to 'review audit reports' and then you have the next group. I go to the review audit reports and the first one I come to is Albury and District Private Nursing Home. When I open that I find that it has three categories, not four like the other audit reports have. It is unacceptable in all three, but I cannot find it in the original list of all the accreditation reports to know whether it has one year, three years or something in between. Given that everything is unacceptable and there is a very long list of things that should have been done, have not been done and need to be done—

Mr Burns—Senator, it is not necessarily a review audit of an accredited service. It might not have had the accreditation decision made at this point.

Ms Hefford—Albury and District Private Nursing Home has not yet been accredited.

Senator WEST—I would hope not, from what this report says. That is probably why I cannot find it there. But I still think it is lacking.

Mr Burns—The reason for the three standards is that before a service is accredited it is reviewed against the residential care standards, which are basically standards 2, 3 and 4 of the accreditation standards. The accreditation standards introduced a new standard which was standard 1.

Senator CHRIS EVANS—I finally figured that out a couple of months ago.

Senator WEST—I did not.

Senator CHRIS EVANS—How is this fitting in with the certification process and how many nursing homes remain uncertified?

Mr James—Currently there are 34 uncertified facilities nationally. Would you like the breakdown by state?

Senator CHRIS EVANS—Yes, I would.

Mr James—There are four in New South Wales, zero in Queensland, one in South Australia, one in Tasmania, 25 in Victoria and three in Western Australia.

Senator CHRIS EVANS—By definition, do I take it these are therefore non-accredited?

Mr James—Yes, apart from one, I believe, in New South Wales. It has just finished doing a large rebuild. The agency could comment on its decision there. It is shortly to move the residents into the new facility.

Senator CHRIS EVANS—But effectively, if they are not certified, they are not accredited.

Mr James—Generally that is the case. The expectation put to the industry has been, ‘You will need to be certified for your accreditation.’

Senator CHRIS EVANS—How many of those 34 will not make certification standards by the end of the year?

Mr James—It is still obviously a bit uncertain, given work in progress.

Senator CHRIS EVANS—Some of them you know for certain are not going to make it, don’t you?

Mr James—Yes. I could say that, to the best of our knowledge, we are fairly definite that 19 of those 34 are going to make it—definitely.

Senator CHRIS EVANS—Nineteen at least?

Mr James—Nineteen at least are definite.

Senator CHRIS EVANS—Before you go on, could I check this with you, Mr Burns. Are these 19 in your failed group or not? You gave me a figure of 31 who have been refused accreditation. Do these include the group that are not certified?

Mr Burns—No.

Senator CHRIS EVANS—So we have 35 who have been refused accreditation. We have a separate group of 34 who would be refused accreditation on the grounds that they have not been certified.

Mr Burns—That is not entirely correct, Senator. We have to take into consideration information provided by the secretary about certification. We have conducted audits of many of those services that are not certified and I have deferred the decision awaiting information from the secretary about their certification status and about the issues around certification.

Senator CHRIS EVANS—What you are saying is, if they were certified you would give them the tick for accreditation, ‘You’re ready to go’, as it were.

Mr Burns—Yes, and there may be circumstances where those services have not got the bit of paper in their hand but they have certainly made progress towards certification and the

weight of evidence received from the department would indicate that it was no longer a concern.

Senator CHRIS EVANS—Are you telling me that if they have not got certification on 31 December you are still going to accredit them or you are not?

Mr Burns—We have the power to accredit them, yes. That is one of the criteria that the decision-maker has to take into account and could possibly decide to accredit a non-certified service.

Senator CHRIS EVANS—We both know there are facilities that will not be up to scratch until April, May, whatever, next year. Are you telling me you will be accrediting some of those on the basis they will reach accreditation standard after the deadline?

Mr Burns—It will depend on the weight of the evidence that the decision-maker has to take into account.

Senator CHRIS EVANS—I am not trying to catch you out on any particular one.

Mr Burns—I cannot answer.

Senator CHRIS EVANS—You can answer the question theoretically. You are telling me that in theory, even though a place will not be certified say until the end of May because we know and Mr James knows that the building works that would allow them to be certified will not be completed until the end of May, you will accredit them before the end of the year if they reach the criteria that you specify. Is that right?

Mr Burns—We are able to do that.

Senator CHRIS EVANS—You are able to do that.

Mr James—Under the legislation you can actually be accredited and not certified but, might I say, the policy position has certainly been to the industry that we expect certification status for the agency to be taken into account in making its decision.

Senator CHRIS EVANS—Is it true to say that there is now a policy decision that there will be some flexibility about the deadline?

Mr James—I could not say that, or answer that question.

Senator CHRIS EVANS—Will those 19 homes close on 31 December or be refused federal funding because they are not certified?

Dr Graham—There are two options under the act. One is the accreditation of an uncertified facility and, as Mr Burns indicated, that would be unusual to the extent that the decision-maker would have to take into account the full information supplied by the department on the reasons for lack of certification, and there is another provision under the act under 42(5) which is a discretion of the secretary that allows for exceptional circumstances.

Senator CHRIS EVANS—We are five weeks out including Christmas. The silly season is coming. It is a reasonable public policy question to ask. Are you going to cut off funds to at least 19 nursing homes that will not be certified on 31 December, on your own evidence.

Mr James—That will depend on the accreditation status of the services at the time, and there is this other provision as Dr Graham has mentioned.

Dr Graham—It will need to be a very carefully thought out decision on a case-by-case basis?

Senator CHRIS EVANS—A decision by whom?

Dr Graham—If it is an accreditation decision that would be one for the agency. If it is an exceptional circumstance that would be one for the secretary.

Senator CHRIS EVANS—What direction are you giving to the agency on the matter?

Dr Graham—In terms of certification the secretary has required the agency to take into account certification in accreditation decisions, but they are the decision-maker, so they have to take account of that information independently.

Senator CHRIS EVANS—So no-one is giving them any policy. You are just waiting to see what they decide. Is that right? It seems a funny way to run the show. A bit like the delegate.

Mr Podger—The second part of it, as Mr Graham mentioned, is the section 42 provision for exceptional circumstances, and for good reason we have not been advertising this particular option. It would be inappropriate to have people suddenly think that this was a way out. There are considerable conditions on the exercise of those exceptional circumstances in the legislation but that does become an option for us to use in the coming weeks.

Senator CHRIS EVANS—That is why I have not pursued you about it earlier. I understood that one was trying to jolly the industry along but we are really at crunch time now and it is reasonable to ask what is going to happen to those homes. I know there are some Victorian government homes and a couple of others that are clearly not going to meet certification standards by that date. There are people resident in those nursing homes and they rely on Commonwealth funding, so I think it is reasonable for people to ask what is going to happen.

Ms Murnane—At this time it is important to put on the record an assurance to people that on 1 January people will not be without care. As Dr Graham and the secretary have said, we do have the exceptional circumstances path open to us. The secretary has also said, and you have agreed, that we did not want to signal that too early. We are watching this very closely but homes are still improving, things are still happening, and we do have a little more than a month to go. I understand that is a difficult month, with school holidays, Christmas and so on. It is being watched and analysed more frequently than on a daily basis, but I would not want the record of this to put any anxiety into relatives' minds or the minds of residents that on 1 January people are likely to be left uncared for. In the event that there are homes that are not accredited on 1 January, we have been developing contingency plans for those residents.

Senator CHRIS EVANS—Are you able to share any of that with us? I notice from comments from the industry that they seem to be unaware of what those contingency plans are, and obviously there is a bit of concern about whether they will be adequate or not. I do not mean a detailed plan, but I do not have any sense of what the contingency plans are or an understanding in the industry about the existence of contingency plans. I know the minister has made that assurance a number of times but it seems we have a lot of beds in transition. We have up to 50 nursing homes that might not meet certification or accreditation, and obviously some of those will be managed through, but there is potential obviously for some to close. Some are closing now and that is obviously building up in the system. People say there are contingency plans. I do not expect to get the detail but I do not have any sense of what they are.

Ms Murnane—Clearly, Senator, it would be generally unwise to put the detail on the table and I know you are not asking for that. We also should not be signalling in any way that we have made up our minds about a particular facility, but there are a number of dimensions of contingency. Clearly all of those involve ensuring that there will be suitable places where care

can be given to residents if that is considered necessary, and we have been taking action in that regard. I should also say that if a particular home is not accredited, the proprietor of that home still retains at that point legally both their approved provider status and the licences for those beds, so there is still an obligation on them to provide care. If they do not provide that care, clearly it is then open to us to go up the chain of sanctions, so there is that available.

According to our risk analysis, beyond that we are identifying where care might take place other than in the home after 1 January should that be necessary. I should also say that Ms Hefford has already said this morning in relation to at least one home—and there is more than one in this category—that the provider has said that if they are not accredited, they will continue to care for those residents in terms of the act until such time as they are accredited and funding resumes.

Senator CHRIS EVANS—But obviously their ability to do that over a lengthy period of time is not good, and our record of getting compliance from people we are paying has not always been easy, so compliance from people we are not paying I suspect will be harder.

Ms Murnane—I do not think we are saying that any of this is easy. We are down to a small number of homes now. What we are saying is, it is manageable and possible.

Senator CHRIS EVANS—I am going back to certification questions now. Where you said there are 19 at least, do you therefore say that the other 15 or so might well gain certification by the deadline?

Mr James—This is an informed judgment about what we think might happen. It is not science. To continue that breakdown: 19 are expected to achieve certification or close before 1 January 2001; 10 are undertaking improvements that we believe will not be completed until after 1 January; three are undertaking improvements with an uncertain outcome. It is very hard for us to make a judgment. Two you have heard about this morning are subject to sanctions.

Senator CHRIS EVANS—They have not got certification either? Are those two facilities not certified?

Mr James—Yes, that is right. They are not certified.

Senator CHRIS EVANS—I thought Belvedere was certified.

Mr James—Kenilworth is not certified. I think Belvedere is certified but I do not have it with me at the moment.

Ms Hefford—Belvedere has applied for certification. At this stage the department has denied certification status to Belvedere as part of a sanctions action.

Mr James—You can deny certification on the basis of the care record too.

Senator CHRIS EVANS—I see. I thought it already had it. The 19 you describe in which way, Mr James? You used a form of words there that is slightly different to what I got the first time.

Mr James—‘Are expected to achieve certification or close before 1 January.’

Senator CHRIS EVANS—Expected to achieve certification or close?

Mr James—Yes. That is, they are going to actually close and relocate or sell their beds and so on.

Senator CHRIS EVANS—Likely to achieve certification or close.

Mr James—So there is no need for them to be certified if they are going to be closing.

Senator CHRIS EVANS—Do you know how many beds are involved with that group?

Mr James—Not of that breakdown.

Senator CHRIS EVANS—What about of the 34?

Mr James—Of the 34 there are about 1200 beds involved.

Senator CHRIS EVANS—Of those 19, say they represent over 600 or 700 beds, they are likely not to be available in the system on 1 January.

Mr James—No. Most of them are likely to be available because they are the ones that are likely to be certified.

Senator CHRIS EVANS—I am missing something here.

Mr James—Only a few are closing.

Senator CHRIS EVANS—This thing about being certified or closed seems to be at opposite ends of the spectrum but they are in the same category. That is why I have just got a bit lost.

Mr James—I have not got the breakdown between those but only a few of them would be likely to close. Most are aiming to get to certification.

Senator CHRIS EVANS—You said before at least 19 will not get certified. I may have misheard you.

Mr James—Nineteen are expected to achieve certification or close before 1 January 2001. The bulk of those, the great majority, are expected to achieve certification.

Senator CHRIS EVANS—It is the other 15 who are unlikely to achieve certification.

Mr James—Correct.

Senator CHRIS EVANS—You do not have a breakdown of the bed numbers of that 15.

Mr James—I have not brought that with me at the moment. I have only got that overall breakdown.

Senator CHRIS EVANS—Those 15 are ones which you do not think will get certified before the end of the year.

Mr James—As I said, possibly another 10 are unlikely to make it by the end of the year. That is our best estimate at the moment. Three would be unlikely and two are under sanctions.

Senator CHRIS EVANS—The 10 you say are likely to make it by the end of the year?

Mr James—No. They were the 10 that we do not think are likely to make it. We could be surprised.

Senator CHRIS EVANS—Does that include the Victorian government ones?

Mr James—Yes. I gave you a state breakdown, didn't I?

Senator CHRIS EVANS—Yes.

Mr James—There are 16 state government facilities that are uncertified and 13 of them are in Victoria.

Senator CHRIS EVANS—Where are the other three?

Mr James—There is one in Tasmania, one in Western Australia and one in New South Wales.

Senator CHRIS EVANS—The other 13 are in Victoria.

Mr James—Yes.

Senator CHRIS EVANS—Thanks. I will leave it at that.

Senator DENMAN—I have a question on accreditation which has caused a lot of concern where I live on the north-west coast of Tasmania. A nursing home called Umina Park has had its accreditation dropped from three years to two years. Can you tell me about that case? I have had a lot of concerned family members phone me.

Mr Burns—I am not sure if I have the details of that specific certification.

Senator DENMAN—Can you take it on notice and get it back to me?

Mr Burns—Certainly.

Senator DENMAN—It failed by no means as many criteria as Senator Evans's cases but it is causing concern on the coast. I also need to know whether the monitoring is ongoing.

Mr Burns—Services that are not accredited are still subject to visits by the agency. Services that are accredited are also subject to a schedule of visits from the agency. All services will be due visits from the agency next year and in years after that.

Senator DENMAN—Can you get to me the detail of why the accreditation dropped from three to two years.

Senator WEST—How long is it taking you to get the reports off the web site? There was one I was looking for that I know was done in very early June and it did not appear on the web site until only a few weeks ago. It also happens to be one of the ones that had one unacceptable and got three years accreditation. I have been looking at this review site and find that the Albury private one had its initial visit in May. There was to be a report done in July and a visit done in September and there is nothing further on the web site. I am wondering how up to date those are when they are going on the web site; how long it is taking to get them on the web. This is a very important tool for people out there to know what is going on, also for us to keep monitoring as well, which is probably a nuisance on your part.

Mr Burns—In the majority of cases we have been successful in getting the reports on the web site within the prescribed time period.

Senator WEST—Which is?

Mr Burns—It is different, depending on what type of visit it is. Section 9 of the principles outlines what those time periods are. I cannot relate them off the top of my head. There have been cases where we have had significant delays and we have had delays in states where our priorities have been to get accreditation complete and to get the site visits completed. Some of the reports have been delayed for a resourcing issue. Others have been delayed because we have had some sickness, particularly in Queensland, of those people who would normally be responsible for getting those published reports up. We know we are behind in some areas. Our intention is to have all the accreditation reports up before the end of this year.

Senator WEST—Has the Albury and District Private Hospital had its visit in September? What was the result of that?

Mr Burns—Was that a review audit that you are referring to?

Senator WEST—It is a review of a review. I am on the review audit report ones at present.

Mr Burns—Can I take that on notice, Senator.

Senator WEST—Has the Belmont Nursing Home in Thornleigh been having its monthly site visits? That one appears to be one that would be in need.

Mr Burns—Yes. The agency has been in very regular contact with that service and will be conducting its full schedule of support visits.

Senator WEST—Who do you advise of the results of these? The reason I ask is, there is a small frail aged hostel—one used to call them hostels—that was unacceptable in three of the four criteria categories and got one year. I will not use the name of it. It is one of the areas that the state and the Commonwealth is looking at for becoming an NPS. When I spoke to the area health people they were delighted that they were going to be going ahead with an NPS in this particular community, but they knew nothing about the fact that what they were actually taking on, in terms of the hostel, was unacceptable in three out of the four categories and it only had a 12-month accreditation. So is there any communication, any advice being given or passed on to the state departments that various hostels or institutions are not getting full three-year accreditation?

Mr Burns—With all services, Senator, we are obliged to publish and that is the main means of getting the information out there. We would not specifically—

Senator WEST—Where do you publish it—on the web site?

Mr Burns—On the web site. All reports, if they are not on the web site, might well still be available directly from the agency. So some of those, where there are delays, would be available now from the agency. I cannot answer the specific question about the service you are referring to.

Senator WEST—This one was done in May. I was talking to people from the health department in that region in September-October. Because they did not have an email address or Internet access, I printed this off and sent it up to them by fax. I also gave the department the web site address. I would have thought, if this was one of the institutions for which there was ongoing discussion about it becoming an NPS, that you would have at least apprised them, or somebody would have apprised them of the fact that this centre only got a one-year accreditation.

Mr Burns—The agency might not have known that they were applying as an NPS service.

Senator WEST—So the agency is not talking to the department, or the department is not talking to the agency or the states.

Mr Burns—The reports are available for anybody. We would not specifically send them to any one body. We just make them publicly available predominantly through the web site.

Senator WEST—You are the agency?

Mr Burns—Yes.

Senator WEST—Where is the department?

Dr Graham—Senator, it does sound like there might have been a bit of a communication gap between the state and the Commonwealth, if they had an interest in this. As Mr Burns said, the web site is a primary point of contact which they could interrogate, but if there is discussion going on in terms of the NPS between the state and the Commonwealth I am surprised that they did not know that it was a one-year accreditation for that particular facility.

Senator WEST—At the local level they did not appear to know. When you say that the web site is a primary source of publication, when it is taking you three months or so to get reports up on the web in New South Wales, there is a fair time lapse there. You really cannot expect the state to know something when it is not up on your web site and therefore not being published, unless you are telling them.

Dr Graham—Yes, but it is common knowledge also, or presumably it would be common knowledge, that they had one-year accreditation. I am just surprised that the state department or officials had not sought out that information. I take your point that perhaps it could have been given to them as well, but I would have thought it was part of the discussion that would have come out. Obviously accreditation is a quality framework that would be very relevant to that situation, which I am sure they would have known was in the process.

Senator WEST—I will pursue it further with the particular area health people. I just have concerns as to what the process is of the federal department advising the state officials in their various states of who has not passed, where there are problems, particularly if you are taking time in getting these up on the web site. I cannot imagine too many institutions, who have only got one year, going around saying, ‘Hey, we’ve failed three out of four. We’ve only got one year’s accreditation.’ I cannot imagine that and I am wondering what we are doing to make sure that the public hospitals and people who are referring patients on to aged care institutions actually know, when they are making decisions, where accreditation has taken place and, where it has not been posted, actually know what the outcome is. I think that is vitally important for people to make informed decisions and undertake appropriate decisions. Is there something happening there to overcome this?

Ms Hefford—Senator, as a rule the operations between the agency and the Commonwealth Department of Health and Aged Care are very close on a state-by-state basis. They have weekly and fortnightly meetings. They discuss the outcomes for facilities. The person responsible in the department also has regular meetings and contact with, for example, the ACAT. I am reasonably confident that the information about how services are travelling is available to people in those positions and that there is contact with the state government. I am surprised at that area health level, in the case you are talking about, that information was not available. I think it would be very hard for us here to identify where the communication breakdown came— whether it came between the Commonwealth department and the state department at a central office level, or whether it was between the central office—

Senator WEST—There are a number of places it could have been, but I am wanting to ensure that at the Commonwealth level the information is easily accessible and there is something proactively being done so that I am not getting answers like ‘I think’ or ‘I am reasonably sure that this is happening’, and that there is a regular procedure, some very clear delineated process, of accreditation taking place and then dissemination of that information to the appropriate bodies in the states, so that the professionals there are going to know that, ‘Okay, this one has got a problem. Should we be looking at how we can help it as well, or should we not be referring particular types of clients there?’ The health professionals there have decisions to make as well. I am wanting to make sure that there is a very clearly delineated process. It is process probably that I am more interested in than—

Ms Hefford—As I said, we do have a process of ensuring that all the ACAT teams are informed about decisions, outcomes for individual facilities right across each state. If you would like to—

Senator WEST—In what time frame?

Ms Hefford—As soon as the formal decisions are advised to us by the agency. We do not wait for the information to be posted on the web site. The agency formally advises us of decisions at the time those decisions are made. If you would like to give me the name of the service outside of this arrangement I will happily pursue it for you.

Senator WEST—It has been taken care of now because I saw it and made the appropriate comments and contacts. But it was a process issue that had me concerned.

Senator CHRIS EVANS—Do we have a duty statement or a statement of responsibility of the complaints commissioner yet?

Dr Graham—There is a statement of what the role of the Commissioner for Complaints is. It is a duty statement in effect, yes. It is defined in the principles in broader terms, but there is a more definitive statement as well.

Senator CHRIS EVANS—It is defined in the principles?

Dr Graham—It is defined under the principles under the Aged Care Act what the role of the Commissioner for Complaints is.

Senator CHRIS EVANS—Is that a new regulation then, or something else? You have only just created the post, have you not?

Mr Taylor—Yes. I can give you a copy of the amended principles if you would like to see it.

Senator CHRIS EVANS—Yes, I would. Has that been promulgated or whatever?

Mr Taylor—Yes, it has. It has been made and been tabled.

Senator CHRIS EVANS—If you could hand that up it would be useful.

Mr Taylor—Yes.

Senator CHRIS EVANS—We also have a duty statement now, have we?

Dr Graham—It is not quite set out like a duty statement, but it does define the role of the commissioner.

Senator CHRIS EVANS—But the principles now provide what his role is under the act, do they? It was not clear to me what that was.

Mr Taylor—Yes, they do set out what the role of the commissioner is. I will just locate it for you.

Senator CHRIS EVANS—What about the terms and conditions of appointment? Have they been finalised?

Dr Graham—There has been a decision by the Remuneration Tribunal about the salary of the commissioner.

Senator CHRIS EVANS—What has that been set at?

Dr Graham—\$80,000.

Senator CHRIS EVANS—Is that full-time work?

Dr Graham—No, it is not.

Senator CHRIS EVANS—It is part time?

Dr Graham—Yes.

Senator CHRIS EVANS—What hours are expected for that?

Dr Graham—It is based on three days a week, although I am sure he will be working very hard.

Senator WEST—\$80,000 for three days—that is not bad.

Senator CHRIS EVANS—Which budget is the cost of that being met from?

Dr Graham—They are being absorbed within the budget for the aged care program.

Senator CHRIS EVANS—But I think you have a budget of \$300,000, haven't you, in the mid-year statement for the costs of the commissioner?

Dr Graham—Yes. There are other additional costs of course in terms of accommodation and some other staffing costs that are incurred within that or on top of that, of course.

Senator CHRIS EVANS—What other staff are provided to the commissioner or the commissioner's office?

Dr Graham—At the present time the commissioner has two other staff and, depending on workload—

Senator CHRIS EVANS—What functions do they provide? What level are they at?

Dr Graham—I might need to take that on notice. They are at about a director level within the Public Service. One is at a director level, one is at a more junior level.

Senator CHRIS EVANS—I think he recruited his own steno sec or something. I heard that. But what is the one at director level?

Ms Hefford—Yes, that is what we would call an executive level 2. The other is what we would call an APS4.

Senator CHRIS EVANS—And is there a duty statement for those people as well?

Dr Graham—The public sector duty statement would apply to those.

Senator CHRIS EVANS—No, I mean in terms of what they do in the office of the Commissioner of Complaints.

Dr Graham—It would come under the general description of the role of the office. I am sure that will evolve, but I can see if there specifically is one for each of those.

Senator CHRIS EVANS—All right. You can basically take that on notice. I just want to know what they were doing. And is that the end of the staffing complement for this office at this stage?

Dr Graham—At this stage. It will depend on workload, and that is increasing quite rapidly, so it is possible that the staffing of the office will expand.

Senator CHRIS EVANS—What does the commissioner do, apart from issue press releases? I do not understand how he gets involved. The department answers a public allegation and the commissioner answers a public allegation. How does that work? Does he just speak on behalf of the department?

Mr Taylor—Would it assist, Senator, if I read out the functions of the commissioner from the principles?

Senator CHRIS EVANS—If you think a couple of key ones would assist, Mr Taylor, I am happy to hear from you.

Mr Taylor—I will mention just a couple of the key ones. They are: supervise the chairpersons or other members of the complaints resolution committees, coordinate and

review complaints received by the secretary, oversight the effectiveness of the scheme, deal with complaints about the operation of the scheme, manage the determination process—including review of determinations—promote understanding and acceptance of the scheme, and advise the minister on matters relevant to the operation of the scheme.

Senator CHRIS EVANS—I am just not clear on that. My concern is where the department starts. Who is in charge of the complaints scheme? Is it the commissioner or the department? One phrase I think was ‘oversees’ or ‘oversights’. Do the complaints section now report to the commissioner or do they report to the departmental head?

Ms Murnane—No, the complaints resolution scheme within each of our state offices is responsible through the normal departmental channels. The role of the complaints commissioner is to oversight the working of the scheme, but the complaints staff do not report for him, though, of course, he not only has power to, but he has an invigilating responsibility to watch how the scheme is working. That includes his responsibility in relation to the committees and the chairpersons, and it also of course includes a responsibility for processes and all the things around timing and responsiveness and a responsibility to report on that from time to time.

Senator CHRIS EVANS—And who does he report to?

Ms Murnane—His views he would make known both to the department and to the minister.

Senator CHRIS EVANS—Yes, so he is not contained inside the departmental reporting mechanism normally then? Is he responsible to the secretary or to the minister?

Mr Taylor—In terms of reporting, Senator, the functions of the commissioner include giving regular reports to the secretary and the minister about issues arising out of complaints dealt with under the scheme and then a separate function to annually review and report to the minister about the operation of the scheme. So, in terms of your question it is a reporting function to both the secretary and to the minister.

Senator CHRIS EVANS—If I have a complaint about the way the complaints scheme is working now, do I go to the complaints scheme or do I go to the complaints commissioner?

Dr Graham—You would go to the commissioner.

Senator CHRIS EVANS—And what if I have an individual complaint?

Ms Hefford—You would start with the scheme.

Senator CHRIS EVANS—So complaints about treatment in aged care facilities go to the complaints scheme?

Ms Hefford—Yes.

Senator CHRIS EVANS—Complaints about the complaints scheme go to the complaints commissioner. Is that a fair summary?

Ms Hefford—Yes.

Mr Podger—In broad terms, Senator, that is correct. The complaints commissioner is appointed by the minister but reports both to me and to the minister. I think one of the issues that has arisen in the last period has been that the complaints resolution scheme needs to become a bit more systematic in its feedback loops into the program and making that all work on a better basis for the whole program. I think we are looking forward to the complaints commissioner helping the department look to the way in which the resolution scheme can

operate at a higher level of feedback affecting the whole program management. I suspect that there will be substantial gains out of that over time.

Senator CHRIS EVANS—What responsibility does the complaints commissioner have if they receive a complaint about treatment of a resident in an aged care facility? Would he refer that on to the complaints resolution scheme? I saw a letter from the commissioner in which he said he could not pursue a complaint because someone would not let him use their name in corresponding with a provider. What restrictions are there on the commissioner receiving confidential complaints? I do not mean secret or anonymous, but confidential. I am just a bit concerned by his advice that he could not assist someone on the basis that they were not prepared to have their name used, even though that was provided to him.

Ms Murnane—In some instances it may well be that, if somebody wants to totally withhold their name, they want their identity fully safeguarded—and the department from time to time will do this, too—they will tell the person that the nature of the complaint is such that the handling of it, the pursuing of it with the provider, is likely to identify them. We do not have the letter you are referring to from the commissioner before us at the moment, but I would think that it is most likely that sort of case: that it is certainly not that he would not handle it but that if he were to handle it the likelihood is the identity that they wanted safeguarded would be revealed.

Senator CHRIS EVANS—That was not the case in this instance, but the advice from the commissioner seemed to be saying that they would not accept confidential complaints, which is unusual for someone in that sort of role, as I understood other Commonwealth jurisdictions like that. I am really trying to get an answer to the former question about both the scheme and the complaints commissioner about their ability to accept complaints on a confidential basis. It seems to me the most serious concerns and complaints we have received in recent times have been from staff members and others intimately involved who, for very good reasons on occasions, may not want to have their name made public.

Dr Graham—Senator, the commissioner has expressed to me the difficulty with anonymous complaints can be that—

Senator CHRIS EVANS—No, I am not saying anonymous. I am sorry to interrupt, but there is a distinction between an anonymous complaint and a complaint where the person provides their name and address, employment relationship, et cetera, but asks for their privacy to be respected. That is very different from an anonymous complaint. I am talking about the second category, a confidential approach.

Dr Graham—Yes. I was referring to the quote that you were making. I think in that circumstance if he is dealing with a complaint about the complaints scheme, it is very hard to give feedback to the person who was concerned in the first place. I think that is the view he was expressing, not that he would not accept a confidential complaint or an anonymous complaint.

Ms Hefford—Senator, in response to your general query, the scheme takes complaints which are confidential as well as complaints which are anonymous. In relation to confidential complaints, the scheme handles those. There are a very small proportion of those where the scheme would have to say to the complainant, ‘It would be very difficult for us to raise this issue without your identity being guessed or made known because the nature of the complaint is so specific.’

Senator CHRIS EVANS—I accept that.

Ms Hefford—But in the majority of cases people come forward, ask for their complaint to be handled in a confidential way, and the scheme does just that.

Senator CHRIS EVANS—I am just seeking formal reassurance that confidential complaints will be accepted by both the complaints scheme and the commissioner. Mr Taylor, do you have something to add?

Mr Taylor—Only that the obligation is clearly on the secretary under the committee principles. In the committee principles, at least, there is not an accompanying obligation on the commissioner.

Senator CHRIS EVANS—What does that mean, Mr Taylor?

Mr Taylor—I do not know the circumstances of the particular case. I am just saying that in terms of what the committee principles say, which is the relevant piece of legislation, the obligation is on the secretary and the others who administer the complaints resolution scheme, but there is no specific additional obligation on the commissioner to ensure that the identities of parties are kept confidential.

Senator CHRIS EVANS—I am not sure what that then means when added to the earlier advice provided by the department. Is that saying there is no obligation on him to keep confidentiality or that he cannot accept confidential complaints?

Mr Taylor—There is no formal obligation under the committee principles.

Senator CHRIS EVANS—I will give you that one! That is right, but what does that mean in practice?

Mr Taylor—I could not tell you what it means in practice.

Senator CHRIS EVANS—It wasn't just me, then!

Mr Taylor—No.

Senator CHRIS EVANS—It was just a bit of legalese that no-one was supposed to understand.

Mr Podger—I think it is very hard for us to be able to satisfy you without us knowing the particular one you are referring to. You have advised us that it was not one to do with the situation that Ms Hefford was talking about.

Senator CHRIS EVANS—Mr Podger, perhaps you would take on notice for me the question about the complaints scheme and the commissioner accepting and acting on confidential complaints—that is, where the person identifies themselves but does not want their name used. I think this is a huge issue in aged care, where nurses in particular, and other staff, are fearful of ongoing employment difficulties if they are identified but where they may raise some of the most serious concerns.

Mr Podger—I would have to take that on notice to clarify the circumstances under which we would feel we could not pursue such a matter and why that would be so. Let us clarify that for you.

Senator DENMAN—The case that I have handed on is one of those, I suspect, from what I could get.

Ms Murnane—We will take this on notice, but I do not want to leave the committee in any doubt that the legislation under which we operate makes it very clear that we can accept a complaint on the basis of the identity of the party to be kept confidential. That is division 1-10(39)(b) of the Aged Care Act.

Senator CHRIS EVANS—Thank you for that, Ms Murnane. That is why I was so concerned when I got a contrary impression and that is why I wanted to clarify that that does apply to the Commissioner of Complaints as well. Perhaps, Mr Podger, we will leave it on the basis that if there is anything you want to add you come back us.

Mr Podger—Okay.

Senator CHRIS EVANS—Thanks. I think that is the end of the aged care section.

[3.18 p.m.]

ACTING CHAIR (Senator Tchen)—As previously agreed, we will go on now to outcome 8—Choice through private health.

Senator GIBBS—I need some information on the carer resource centres and carer respite centres. What data is collected by the department from carer resource and carer respite centres?

Mr Bruen—The carer resource centres are required to report to the department regularly—I think it is quarterly—on their activities, which includes the number of clients that they have been able to help. There are considerably more care respite centres—about 83. We are in the process of designing a data collection system for the carer respite centres to provide a full set of data to us about their activities, the people they help and the kinds of services they have been able to provide. At the moment we just get descriptive reports from them.

Senator GIBBS—Simply reports?

Mr Bruen—But that does include data on the number of clients that they see. That can be made available, if that is the kind of data that you wish to see.

Senator GIBBS—Sorry, what are the reports on? I cannot hear very well.

Mr Bruen—They are regular reports on their activities, which includes the number of clients that they have dealt with, that they have been able to help.

Senator GIBBS—From the data collected can you tell us about the carer contacts and assistance provided, say, in the last financial year? I would like to know how many inquiries were made and whether you can provide a breakdown of the main types of inquiries?

Mr Bruen—I could do that on notice, Senator.

Senator GIBBS—If you would, please. I am referring to the respite centres, because they are in the regional sections of Australia, aren't they?

Mr Bruen—That is correct, yes.

Senator GIBBS—That will be fine. Also, while you are doing that, you probably need to take this on notice too: how many carers were assisted to purchase respite care through the carer respite centres? What proportions of requests, say, for emergency respite and short-term respite were able to be met?

Mr Bruen—Yes, I can provide that on notice. I need a little time to collect that data.

Senator GIBBS—Also, whether this respite was provided in community or residential facilities.

Mr Bruen—Yes.

Senator GIBBS—Are there any regions where unmet need for respite care is particularly acute?

Mr Bruen—The measurement of unmet need is a debatable issue. Are there more people ringing some centres than others? I am not aware of any. There is a considerable demand for respite care right across the country, which is why we set the centres up in the first place, but I am not aware of any particular region that has a greater unmet need than any other.

Senator GIBBS—Would that be because that information is not put in the reports that you are getting now?

Mr Bruen—I am not sure exactly what information we would need to collect to provide an answer to that. We can provide the number of people who have contacted these centres and what has been able to be provided for them, but in terms of what has not been able to be provided for them, that data is not collected.

Senator GIBBS—Maybe it should be.

Mr Bruen—Well, yes, although the carer respite centre's main job is to try and recommend things that are practicably available. There is not much point in them recommending services to people when those services are not there. We do not at the moment collect data on what they would like to recommend; we collect data on what they actually do recommend.

Senator GIBBS—I would have thought it would be quite logical to put in the report what people do need rather than what is being provided. Surely that is all part of information gathering for future use and future facilities.

Mr Bruen—It is true that the carer respite centres in these descriptive reports will indicate if they feel there is a particular need for a particular service. But we do not collect quantitative data on that at the moment.

Senator GIBBS—They are now giving you reports quarterly and there are no criteria for the report? Is that what you are saying?

Mr Bruen—Yes, but there will be shortly. We will require them to collect the minimum data set, which will prescribe the particular items of information we want collected.

Senator GIBBS—You will give them a shopping list saying, 'This is what we want you to report on.'

Mr Bruen—Yes, it will be, hopefully, in electronic data form. Each time they deal with a client they just put some key bits of information onto that electronic form and it will be transmitted to us.

Senator GIBBS—Then you will probably have at the bottom 'Other', so that if they are inundated with a particular thing that is not on the form they can say, 'Five thousand people wanted this particular thing.'

Mr Bruen—Yes, there will be room for that.

Senator GIBBS—Those things are very important so that you know what people want.

Mr Bruen—Yes.

Senator GIBBS—Because of that you do not know where the particular regions are. You have answered my question there, because I was going to ask you if you had a minimum data set for carer respite centres and resource centres.

Mr Bruen—We will have.

Senator GIBBS—Obviously that is going to happen. When will this be implemented?

Mr Bruen—I am always wary of predicting these things, particularly things that involve computers and electronic transmission. They always take longer to develop than we think. But I would expect it to be implemented from 1 July next year.

Senator GIBBS—1 July?

Mr Bruen—Yes.

Senator GIBBS—That is when they will start to report, or that is when you will say what you want them to report on?

Mr Bruen—That is when they will start collecting the data that we tell them to collect.

Senator GIBBS—When will you actually tell them?

Mr Bruen—We should get reports each quarter after that.

Senator GIBBS—Thank you. Apparently people who are on carers payment and carers allowance are allowed to claim 63 days per year respite. Could you tell me what proportion takes 63 days and what proportion takes no days?

Mr Bruen—No, I cannot, Senator. Carers payment and carers allowance are now administered by Centrelink, not by our department.

Senator GIBBS—They are in Centrelink?

Mr Bruen—Yes.

Senator GIBBS—So they will be able to tell me all of those breakups?

Mr Bruen—I do not know, but they would be the people to ask.

Senator GIBBS—What about respite care for carers of young people with disabilities? Is that your section?

Mr Bruen—Partly, although the Department of Family and Community Services also provides funding for those carers as well. The Department of Family and Community Services provides funding through the carer respite centres for those people, so in a sense it is a joint exercise. They provide the funding, but it is channelled through the carer respite centres that we administer.

Senator GIBBS—When it comes to spending on different initiatives, that would not be you?

Mr Bruen—No, not under that funding. The carer respite centres would report to the Department of Family and Community Services on the funding for carers of younger people.

Senator GIBBS—All right, I will ask the next department.

Mr Bruen—Yes.

Senator GIBBS—Thank you very much.

CHAIR—We will move to program 8.

[3.29 p.m.]

Senator WEST—My first question is to the secretary. In June this year, in an issue of the *Journal of Health Affairs*, you wrote an article called ‘Australia’s balance between public and private arrangements’. Is that right?

Mr Podger—That is when it was published, yes.

Senator WEST—In that you commented on the government's policies on private health insurance and you said that 'Indeed, it may be seen as a move towards the opt-out model.' Can you draw the connection for me between the 30 per cent private health insurance rebate and the move towards the opt-out model?

Mr Podger—That is taking my words very much out of context. You have quoted part of one sentence and that is not what the article was about. I described some different ways in which the thing might be looked at and that was one way it could be looked at. I was not providing any advice about what the government ought to do.

Senator WEST—No.

Mr Podger—I was simply providing a description of different ways it could be looked at.

Senator WEST—I hope I am not implying that. I am interested, though, in moving towards the opt-out model. Is that similar to a two-tiered health system?

Mr Podger—No, not necessarily.

Senator WEST—Can you explain the opt-out model for me? I do not see there is any other way that you cannot have a two-tiered system.

Mr Podger—First of all, I will say that there is no government policy towards an opt-out model, nor was I conveying any such suggestion.

Senator WEST—No.

Mr Podger—But there are some models that have been described in the literature in recent years. In this particular context there was a proposal in a paper on which I was asked to comment, which was by Alain Enthoven, providing an updated commentary on the British NHS system. In it he raised issues about whether there might be some arrangements for people in Britain to be able to get their NHS services via a separate funding process. In very broad terms, this is not dissimilar to Dick Scotton's publications in Australia. One option he has put on the table is whether a risk rated premium ought to be made available through your insurer of choice. This is not government policy. I am simply saying these are things that have been in the literature.

Senator WEST—Maybe you will want to take this on notice. Can you identify some of the articles that you were commenting on and where you have drawn these comments from? Again, I know they are not government policy but I am interested.

Mr Podger—The two particular ones I was referring to were the one by Alain Enthoven, which is actually in that same health affairs document, and the Dick Scotton articles over the last six or seven years.

Senator WEST—You do not see that opting out leads to a two-tiered system?

Mr Podger—Not necessarily. The Scotton proposal is very much one which says the government would identify the risk-rated premium that the Medicare system, including public hospital arrangements, provides. You can take that as a voucher to your insurer of choice. You can choose to pay a premium on that to the insurer if you wish to. It does not necessarily mean a two-tiered system. It is a theoretical model. I would not want to put more to it than that.

Senator WEST—You are not sure you would want to try and implement it.

Mr Podger—There would be some interest groups who would interpret it as US style managed care, without any doubt.

Senator CHRIS EVANS—Some groups would claim anything was US style managed care though.

Mr Podger—Probably that is true of the groups I had in mind.

Senator WEST—I will leave it there, thank you.

Senator CHRIS EVANS—Dr Wooding, you are bound to be all fired up to tell me about these numbers on the private health insurance rebate. We are pressed for time so I was going to leave it out but I thought, no, that would not be fair on you.

Dr Wooding—I have some figures which show what the increases are. I can table them for the committee to save everybody time.

Senator CHRIS EVANS—Do you want to take us through it quickly?

Dr Wooding—Yes. That is the total, including both outlays and revenue. You can see that 2000-2001 estimates have risen by \$330-odd million. A \$388 million increase on the outlay side and a \$56 million decrease on the revenue side have caused that. There is a fairly consistent increase in the future, although it is tapering off a bit.

Senator CHRIS EVANS—I saw that in the mid-year review. Why does it taper off?

Dr Wooding—We have some indexation factors or growth factors in there which are tapering off into the final years.

Senator CHRIS EVANS—What sort of factors?

Dr Wooding—These are factors based on participation rates and premium increases.

Senator CHRIS EVANS—What assumptions underlie the propositions now? What is your participation rate assumption?

Dr Wooding—Our participation rate is 45 per cent in there.

Senator CHRIS EVANS—You are above that now.

Dr Wooding—Only very slightly.

Senator CHRIS EVANS—This plans on a continuing 45 per cent participation rate?

Dr Wooding—That is right.

Senator CHRIS EVANS—What about premium increases?

Dr Wooding—This year's premium increase factored in there is the 1.8 per cent average for this financial year, which is most of this financial year. There is projection forward of increases for population increase and, combined with the estimated average premium increases, there is a growth factor underlying that. I cannot separate a premium increase figure for you, but we have gradually ratcheted down a little bit the growth estimates we had earlier on beyond the current period. It was seven per cent last time we spoke about this in detail and it is a bit smaller than that per annum now. I do not have the exact figures in front of me.

Senator CHRIS EVANS—Can you take that on notice for me?

Dr Wooding—I will give you some information on notice, Senator.

Senator CHRIS EVANS—Turning to population and expected cost increases, one of the things that someone who was looking at it for me argued is that the average benefit per policy seemed to be dropping. Is there a sense that you think the cost of the average policy will be reduced?

Dr Wooding—No. That the average policy will rise is built into the estimates. Probably what they are looking at is that we have had an increase in participation which is in percentage terms greater than the increase in the estimates. That has been more a function of getting the right calibration between the outlays and the tax side. One of the problems with this estimate, as I have told you before, is that you do not know until the following year how many people are going to claim a rebate through the tax system. We base our estimates on the known outlays and then do an estimate of how many people are going to come back later on and claim. We continue to find that we have been lowering our estimates every time we review those numbers because people are tending to claim more on the outlay side. We have this expectation of additional claims that was not realised to the extent that we estimated. That is why there would appear to be perhaps slightly less of an increase than you might have expected.

Senator CHRIS EVANS—What are the assumptions on the surcharge? I gather I am one of the few still paying the surcharge now, am I?

Dr Wooding—The surcharge estimates are a matter for Treasury.

Senator CHRIS EVANS—You are not involved in that at all.

Dr Wooding—We do not prepare estimates.

Senator CHRIS EVANS—Do you have any idea what they are?

Dr Wooding—I can take it on notice and see what I can find out for you.

Senator CHRIS EVANS—I can get someone to ask Treasury. What about the figure the minister has been using about the rebate reducing the number of people in public hospitals by 500,000 patients a year? Is someone here responsible for that figure and what the assumptions are?

Dr Wooding—Mr Maskell-Knight. I had involvement in it but I think he is best placed to take you through it.

Mr Maskell-Knight—That estimate was based on applying the age/sex specific utilisation rates of the insured population as it was in December 1998 before there was any increase in membership. We use that quarter because as soon as you get an increase in membership the utilisation figures get distorted by reason of people being subject to pre-existing ailment limitations on their utilisation. We decided we would go back to December 1998 as being a useful start point and then apply those age specific utilisation rates to the increase in the insured population since December 1998. The actuarial advice provided to the private health industry branch suggested there would be a period of about three years before people started claiming at the same rate as the people who were currently insured. The assumption is that new people will only claim at about 90 per cent of the rate of the current insured population.

Senator CHRIS EVANS—What is the logic there?

Dr Wooding—The logic is that you would be more likely to be in health insurance at any given age if your health status was lower so, on average, these people who have joined through the incentives are going to be a little bit healthier than the ones who are already in health insurance.

Senator CHRIS EVANS—I see.

Mr Maskell-Knight—The assumption is that it will be three years until they reach that 90 per cent level. That is partly because of the pre-existing ailment rules and partly because, in relation to obstetrics, it might take several years before people start claiming.

Senator CHRIS EVANS—The argument is that the pressure on the public hospitals will not maximise for three years. Is that right?

Mr Maskell-Knight—The reduction in the pressure, yes.

Senator CHRIS EVANS—Is 500,000 patients a year the estimate for the third year or the first year?

Mr Maskell-Knight—The third year; 550,000 I thought was the number the minister had used.

Senator CHRIS EVANS—He may have. I had a quote of 500,00 a year, but he is using 550,00, is he? That is for the third year. So what do you say for the first two years?

Mr Maskell-Knight—Working backwards, about 65,000-odd in the first year, I guess, and 315,00 in the second year. That is just me doing mental arithmetic but I think that is right.

Senator CHRIS EVANS—Perhaps if you find when you read the *Hansard* your mental arithmetic was dead wrong you might reconsider.

Mr Maskell-Knight—Certainly.

Senator CHRIS EVANS—So there is quite a difference between expected relief of the public hospital system from the first year to the third.

Mr Maskell-Knight—Yes.

Senator CHRIS EVANS—What do the figures describe? The number of patients who will have accessed the private hospital—

Dr Wooding—The number of private patients treated—an additional 550,000 private patients treated.

Mr Maskell-Knight—It is privately insured episodes.

Dr Wooding—They will be private patients either in public hospitals or in private hospitals.

Senator CHRIS EVANS—But they are episodes rather than patients, are they?

Mr Maskell-Knight—They are episodes in the sense that certainly among the elderly it would not be unreasonable to expect some people will actually go to hospital twice or three times in one year.

Senator CHRIS EVANS—It is private patients' episodes basically.

Mr Maskell-Knight—Yes.

Senator CHRIS EVANS—Can I ask a couple of questions about Medibank Private matters. Is there any work currently being done within Medibank Private in relation to the possible sale of the organisation?

Mr Whelan—Privatisation is a matter for the government. From time to time the organisation, in preparation for pre-election periods, prepares material itself for that. We update that from time to time but we are not preparing any specific advice for government on that matter.

Senator CHRIS EVANS—Has Medibank Private been involved in any research seeking public views about the sale of Medibank Private?

Mr Whelan—I am not aware of that.

Senator CHRIS EVANS—So you have not commissioned any public opinion research on that subject?

Mr Whelan—No.

Senator CHRIS EVANS—You are not aware of anyone else having commissioned such work?

Mr Whelan—From time to time we are approached by a range of organisations who specialise in consolidation and merger activity in the health sector. They ask us a range of questions about our views on privatisation, our views on the industry. I would imagine there are a range of merchant banks and similar organisations.

Senator CHRIS EVANS—But you are not aware of anyone else carrying out research on the question of the privatisation of Medibank Private though?

Mr Whelan—No, not specifically.

Senator CHRIS EVANS—Have you got a current valuation on Medibank Private?

Mr Whelan—No.

Senator CHRIS EVANS—Is that not done as part of your normal audit process?

Mr Whelan—No. The last time I can recall the organisation even contemplating that issue was pre separation from the Health Insurance Commission, and given the change in membership of the organisation I do not think it bears any relevance to what it may or may not be worth today.

Senator CHRIS EVANS—Can I ask the department the same set of questions?

Dr Wooding—There is no work currently under way.

Senator CHRIS EVANS—There has been no research commissioned by the department which includes questions about the sale of Medibank Private or related issues?

Mr Podger—Not that I am aware of.

Dr Wooding—No market research.

Ms Gunn—Certainly not from our area. We look after the shareholder minister's interests and certainly not from our area.

Senator CHRIS EVANS—In terms of this potential ACCC prosecution, when did Medibank Private become aware that its lifetime health cover advertising might breach the provisions relating to misleading and deceptive advertising in the Trade Practices Act?

Ms Jay—The ACCC commenced legal proceedings on 26 October.

Senator CHRIS EVANS—Is that the first that Medibank Private had heard of it, Ms Jay? Had they come to you before they commenced prosecution?

Ms Jay—No, there was no advice prior to the lodgment of the statement of claim in relation to those advertising matters.

Senator CHRIS EVANS—So 26 October was the first time you became aware that the ACCC was taking an interest in the issue.

Ms Jay—Yes.

Senator CHRIS EVANS—What has happened since?

Ms Jay—That statement of claim has been lodged in the Federal Court. We are taking legal advice of course in relation to the matters raised by the ACCC relating to some of our advertising campaigns. We are in the process at this stage of looking at those to determine what we might do in terms of the statement of claim and proceedings in any court action. We are also participating at the moment with the ACCC in discussions in relation to those statements of claim on a without prejudice basis.

Senator CHRIS EVANS—When do you expect that to come to court.

Ms Jay—A directions hearing has been set down for 4 December.

Senator CHRIS EVANS—Have you taken any action in relation to your advertising campaigns as a result of this prosecution by the ACCC?

Ms Jay—We have in place at Medibank Private trade practices compliance arrangements. They were in place, and these advertisements were reviewed in accordance with those internal procedures.

Senator CHRIS EVANS—Can you tell me what that means, Ms Jay. Did you pull the ads?

Ms Jay—Did we pull them?

Senator CHRIS EVANS—Yes.

Ms Jay—These were advertisements which had ceased to be in the public domain prior to the lodgment of this statement of claim.

Senator CHRIS EVANS—Have you changed your policy in relation to waiving of waiting periods since this claim was made on you?

Ms Jay—From time to time in our advertising we do make a decision to waive waiting periods. It is always our intention to ensure that members or potential members fully understand the extent to which those waiting periods are being waived.

Senator CHRIS EVANS—What I am asking though is have you made any changes in the way you treat people transferring to Medibank Private in relation to waiving waiting periods in recent time? Has the action by the ACCC made you look at your policy in relation to that? Are you honouring commitments given? Have you reviewed what you offer people? I am trying to see what organisation you have done as a response to the concern expressed.

Ms Jay—In terms of our advertising we do not currently have on foot any offers in the marketplace in relation to waivers of waiting periods. However, we do have a process where in-house legal counsel review all our advertisements. We are conscious of the guidelines and of the Trade Practices Act requirements in terms of disclosure and we went through those processes with these advertisements.

Senator CHRIS EVANS—What I am asking you is, for those clients who might have been attracted to Medibank Private with the promise of a waiver of waiting periods, have you given any direction as to how they are to be treated, or has there been any change in policy advice as to how those people are to be treated?

Ms Jay—One of the elements of the statement of claim is about reparations that might be provided to people the ACCC allege may have been misled. You might appreciate, Senator, given that these matters are subject to legal proceedings at the moment, it is very difficult to talk in any further detail about reparations or our current views and legal advice as to what we might do in this area when we do arrive in court.

Senator CHRIS EVANS—Is it fair to say that you have not made any change in policy in the meantime?

Ms Jay—We have not made any change in policy in terms of offering waivers in waiting periods from time to time, and our compliance procedures, as they currently exist, have been upscaled marginally in that we are looking to use external legal advisers, as well as our internal legal unit, to review any advertising that we are going to put out into the public domain.

Senator CHRIS EVANS—Thanks for that. I will ask the department this, but I also want to ask Medibank Private similar questions. Have you collated figures on the membership of health funds by federal electorate?

Dr Wooding—Not on the membership of individual funds.

Senator CHRIS EVANS—No, I did not ask you that. So not in terms of individual funds. Have you collected information on membership of health funds by federal electorate; that is, the number of people in all private health funds on an electorate by electorate basis?

Dr Wooding—Yes, we have it by postcode.

Senator CHRIS EVANS—You are giving me the answers to questions I am not asking, Dr Wooding. I would like you to answer the actual question. Has the department collated figures on the membership of health funds by federal electorate? If so, when and for whom?

Dr Wooding—Yes, we have.

Senator CHRIS EVANS—You have?

Dr Wooding—Yes.

Senator CHRIS EVANS—When did you do that?

Dr Wooding—I would have to take that on notice.

Senator CHRIS EVANS—Is there somebody behind you who can help, Dr Wooding? You do not seem to be across this one.

Dr Wooding—I have done some work on the June 2000 figures. I am not sure what the—

Senator CHRIS EVANS—You have provided an electorate by electorate breakdown of private health membership based on the 30 June figures. Is that right?

Dr Wooding—That is right.

Senator CHRIS EVANS—Who did you provide that to?

Dr Wooding—The minister.

Senator CHRIS EVANS—So the minister requested the department to do a breakdown on an electorate by electorate basis. Is that correct?

Dr Wooding—We would have to take that on notice. I am not sure where it was actually initiated.

Senator CHRIS EVANS—I am not sure what you are saying to me here. You know you did it, but you do not know why you did it.

Dr Wooding—We have a lot of data.

Mr Podger—We can take it notice, but I do not know whether the short answer is that it was the minister or the minister's office, or whether it was done in some other framework. I suspect it was the minister or the minister's office, but I do not know.

Senator CHRIS EVANS—I do not want to get pedantic about whether it was the minister or the minister's office, but a request for that information came from the minister's office. Is that right, or not?

Dr Wooding—I am not sure that is actually the case. I will have to take that on notice.

Senator CHRIS EVANS—Is there somebody a bit more across the topic, Dr Wooding?

Dr Wooding—We collect a lot of data on an electorate basis in the department.

Senator CHRIS EVANS—Sorry; I can't hear you.

Dr Wooding—We have been collecting data in the department on an electorate basis for many years. So it may well be that we just had that data that we collected ourselves.

Senator CHRIS EVANS—Can someone describe for me what information they provided?

Dr Wooding—They are statistics collected through the Health Insurance Commission only on the outlays side, so it does not include tax. It is information on the 30 per cent rebate claiming by electorate.

Senator CHRIS EVANS—Did you cross-reference that with the electoral roll, or what?

Dr Wooding—No, we collected this data from the HIC. I would have to go and get some more information on that for you, Senator; on how that was done.

Senator CHRIS EVANS—So the numbers were not crunched by the department, they were crunched by the HIC. Is that right?

Dr Wooding—As I said, I will give you an answer on notice to that, Senator.

Senator CHRIS EVANS—I would rather have it today, if that is all right, Dr Wooding. I appreciate that you cannot answer the question but with a lot of departmental officers here, perhaps someone can help us.

Dr Wooding—We have information by postcode, so I think we just attributed postcodes to electorates.

Senator CHRIS EVANS—Did it involve any use of the electoral roll?

Dr Wooding—I think the answer is no, Senator.

Senator CHRIS EVANS—Would you like to check that, Dr Wooding?

Dr Wooding—No. The answer is definitely no, because basically you just attribute postcodes to electorates.

Mr Podger—I have just got confirmation that that is the normal process when we get other statistics from the Health Insurance Commission. They provide it to us by postcode. The department translates the postcodes into electorates as a basis. It is not an absolutely accurate translation but that is the basis on which it is done. It is not done by any data matching with the electoral roll or anything like that.

Senator CHRIS EVANS—So you requested from the HIC a postcode breakdown of private health insurance membership and then you, inside the department, did a calculation on that membership by federal electorate and provided it to the minister's office. Is that a correct summary?

Dr Wooding—That is correct.

Senator CHRIS EVANS—What rules govern the HIC providing that information to the department?

Dr Wooding—By postcode?

Senator CHRIS EVANS—Yes.

Dr Wooding—I would have to take that on notice, but they do provide us with that sort of information I believe on other programs.

Senator CHRIS EVANS—Yes, I presume that is for appropriate purposes, though. I am just trying to find out what protocols are in place for use of that information.

Dr Wooding—There are all sorts of uses we can make of that information which would be of interest to us, including regional differences in membership of and participation in health insurance. We are particularly interested in where the private hospitals are in Australia relative to the demand, and we have been doing some internal analyses of these things. That information is used for a wide range of purposes to do with policy development and monitoring how the programs are going.

Mr Podger—We get material from the HIC across MBS, PBS and so on, on a postcode basis, on a regular basis, and have for years been doing that. There is nothing untoward. It is a regular collection process that HIC supplies to the department. It now provides it with the 30 per cent rebate as well as other programs.

Senator CHRIS EVANS—You do not vouch for the accuracy of this information by federal electorate, given that what you are telling me is you do not know whether these people are, for instance, on the Commonwealth electoral roll and therefore electors, or—

Dr Wooding—That is right. They are people who are resident in the electorate. Whether they are on the electoral roll or not is not something we would collect through the HIC or through any of our data.

Senator CHRIS EVANS—How do you make a decision, for instance, when postcode boundaries cross electoral boundaries? Do you have a breakdown?

Dr Wooding—We have made some assumptions. I can probably give you some more information on that if I can take it on notice.

Senator CHRIS EVANS—Yes. I was just trying to ascertain how you manage to vouch for the accuracy of that, given that often postcodes spread across more than one federal electorate.

Dr Wooding—Certainly it is not going to be accurate down to the last member, but it will be an estimate.

Mr Podger—Senator, we have a group in one of the central areas of the department that does this sort of translation of postcode work into electorates. It also does other geographic analysis of statistics as a matter of course. If it would help, I could take on notice that we could give you a bit of a description of how that works; what sort of techniques are used to translate postcode data into electorate data. We also use it for other geographic purposes and analysis as well.

Senator WEST—Do you use any ABS figures, census collection, district stuff and those smaller area details, or not?

Mr Podger—Not normally from the HIC. As I understand it the HIC data—

Senator WEST—No, but—

Mr Podger—We sometimes do use, for other planning purposes, other statistical material including ABS facts. This group also does the various codes of remoteness and things of that sort. There is a range of geographic things.

Senator CHRIS EVANS—I would appreciate that information.

Mr Podger—The officer concerned is here, if you want to ask him directly. He was in the background and I did not realise that.

Senator CHRIS EVANS—If you assure me you did not use the electoral roll and you merely used the postcode data provided by the HIC I would be happy for you to take on notice the actual way you did that. I am not too interested in the detail, provided it was the only information you used.

Mr Podger—That is correct.

Senator CHRIS EVANS—I am interested to know who you gave that data to, other than the minister's office.

Dr Wooding—We have not released it anywhere else, except in two places in Queensland where we are doing some service planning for private hospitals as part of our rural private hospital initiative.

Senator CHRIS EVANS—What does that mean, Dr Wooding? Who did you give it to?

Dr Wooding—We gave, by postcode information, to the service planning consultants. We have engaged consultants to do some service planning for some of the private hospitals, I think particularly in the Darling Downs area. They were given some information on fund membership by postcode to help them understand the likely demand for private hospital services in those areas.

Senator CHRIS EVANS—Did you check whether that was in accordance with the requirements of how you use data and the privacy concerns?

Dr Wooding—Yes, we did.

Senator CHRIS EVANS—And you are satisfied that that is within the guidelines provided?

Dr Wooding—Yes.

Senator CHRIS EVANS—Did you give the data to the Health Insurance Association?

Dr Wooding—No. I believe they estimate their own data. They have their own process of estimating data by electorate.

Senator CHRIS EVANS—Do you know that they do it themselves?

Dr Wooding—Certainly if they have made some comments, then I believe they might have done it—certainly not on the basis of our data.

Senator WEST—Was the data you gave to the consultants marked 'Confidential' or was that data that they could have then passed on, given that they will be presumably giving that in their report to the private hospitals that are expressing interest or for whom they are doing research?

Dr Wooding—I certainly do not believe that that information would have passed to the Australian Health Insurance Association, if that is what you are asking.

Senator CHRIS EVANS—You can assure us that the department has not provided the full data to anybody other than the minister's office. Is that right?

Dr Wooding—Yes, that is right.

Senator CHRIS EVANS—These people you refer to—the service planning consultants, whoever they are—you did not give them the whole lot, did you?

Dr Wooding—No, only for the areas that they were planning for. It was only a few postcodes.

Senator CHRIS EVANS—If someone is in possession of the whole information, you would say it did not come from you?

Dr Wooding—That is right.

Mr Podger—In due course, my suspicion is that we will end up having a regular collection and information on this sort of basis which will then be made publicly available in one form or another, as we do in a range of other data areas. I would not have seen, from the nature of the data we have talked about so far, that it would raise issues of privacy or confidentiality. It would be an issue of when we have got ourselves in a position of making it on a regular formal basis, which I guess in due course we would do.

Senator CHRIS EVANS—One of the things I am inquiring into is whether or not information collected by the HIC has been used appropriately. That is why I am asking you those questions, Mr Podger. I am happy to be reassured by you, but I think it is appropriate that I ask those questions as to whether or not information has been used appropriately and whether or not information has been shared that ought not to be shared.

Mr Podger—I understand the nature of the questions. Why we are hesitating is because we are not quite sure of the exact facts, but I think part of the issue here is that the rebate is new, the data coming through it is new, and we have not yet got, on a regular footing, what we are publishing and making available to whom. But in other areas we make available this sort of information on quite a regular basis.

Senator CHRIS EVANS—Can you provide the committee with that data that you provided to the minister's office?

Mr Podger—Yes—obviously not here but, yes, we will take it on notice and I would be surprised if there were any difficulty in providing that to the parliament.

Senator CHRIS EVANS—Can I ask Medibank Private whether it has collated any figures on the membership of health funds by electorate?

Mr Whelan—With respect to our own membership, we do that on a routine basis and we have not provided that to the department or the minister.

Senator CHRIS EVANS—Have you provided that to any other outside organisation?

Mr Whelan—We are a member of the Australian Health Insurance Industry Association. We provide them with a range of data, including membership by postcode.

Senator CHRIS EVANS—The Health Insurance Association would receive from you information on your membership by postcode as a regular occurrence?

Mr Whelan—That is correct.

Senator CHRIS EVANS—Would you have supplied it to them for the end of June?

Mr Whelan—I think we probably do it, at a guess, every quarter or thereabouts. We do it routinely.

Senator CHRIS EVANS—How do you do yours? Just by postcode?

Mr Whelan—That is the primary mechanism for dissecting that. We do not do any internal work by electorate.

Senator CHRIS EVANS—What you would have provided for the Health Insurance Association would have been your membership by postcode?

Mr Whelan—That is correct.

Senator CHRIS EVANS—You do not use the electoral roll at all in that process?

Mr Whelan—No.

Senator CHRIS EVANS—And you do not provide that information to the department currently?

Mr Whelan—No. The department has never requested that data from us and we have never provided it to them.

Senator WEST—You said that you did use some ABS figures and census collection district figures in your breakdowns. Have you done any statistics analysis on census collection districts and then put them into electorates?

Mr Podger—I would have to take on notice whether we have used that in any of our technical work, because we often get some data from ABS at a lower level even than the CD level, and it is possible—

Senator WEST—Yes. I was going to say, census collection districts can be groups of 300 or so.

Mr Podger—Yes, I know, but sometimes when we get information from them, they can, under certain circumstances, provide us with an even smaller level or basis than that. But what I would have to check is whether there have been circumstances where we have, in our work, translated that somewhere into an electorate. I do not know whether we have. I would have to check.

Senator WEST—That is what I am wanting to know. Have you gone to, say, smaller groups of figures such as census collection districts, and maybe slightly bigger or slightly smaller, and put them into an electorate basis, and where has that material then passed on to if you have done so?

Mr Podger—I will check that out, but mostly when we have had regular collections and we have put it into electorates, we have tended to provide those to the Parliamentary Library as part of our policy. That would not be done every time we do it on a special arrangement but, for the most part, that is our general approach.

Senator WEST—I turn to an article in the *Age* of 20 November, the day before yesterday, that disclosed or alleged that the government proposes to spend more than \$10 million on a further round of private insurance advertisements to overcome confusion among consumers and advise patients how to best use their insurance. Is this report correct?

Dr Wooding—It is correct that we are planning another communications campaign. The details in the report are not quite correct. At the moment we are investigating a communications campaign about the medical gaps issue, which will focus on trying to empower consumers and build a bit of critical momentum in the area of covering the gap, flowing from the gap cover legislation that was passed earlier this year. The campaign, which may or may not include some advertising—we are still in the very early stages of developing the campaign—will focus entirely on the gap issue.

Senator WEST—Where will these funds for this advertising be drawn from?

Dr Wooding—From within our departmental expenses.

Senator WEST—What research has the department undertaken to determine the state of knowledge amongst consumers about health insurance products and what was the outcome of that?

Dr Wooding—There is a periodic TQA—Tony Quint & Associates—survey which we have contributed to in the past, which researches a whole range of issues about health insurance. Off the top of my head, it is a huge volume, many hundreds of pages long. I am sure there would be some questions in there about that issue. That would be the most obvious one that comes to mind. Most of our market research in recent times has focused on Lifetime Health Cover rather than on those sorts of broader issues.

Senator WEST—What have been the results of this research?

Dr Wooding—For Tony Quint & Associates it is not recent. I will have to take that on notice.

Senator WEST—There is nothing recent?

Dr Wooding—No.

Senator WEST—I am interested to know why the health insurance industry itself is not paying for such a campaign.

Dr Wooding—For a gap cover campaign?

Senator WEST—Yes.

Dr Wooding—I appreciate the argument that if it was primarily focused on consumer information and products then that would be appropriate, but we are focusing on building momentum for the idea of gap cover across the whole community, so it is focusing on the government policy as expanded in the legislation and in the other reforms over the past few years, most notably the gap cover scheme legislation, which is designed to remove barriers for medical practitioners and funds to participate and work together to eliminate the gap.

Senator WEST—I would have thought, though, that this was really an issue for the insurance funds themselves because it would be about them saying what their products are, how their products are going to help you.

Dr Wooding—Certainly where it is about the details of a particular product, about how a particular gap cover product works, that will be up to the funds, and they are already advertising their gap cover products fairly heavily.

Senator WEST—If they are already advertising their gap cover products funds heavily, hasn't the horse already bolted and this is almost coming on too late?

Dr Wooding—No, I think there are a few reasons why that is not quite correct. For a start, I do not think consumers are fully aware and empowered about gap cover. One of the problems we do face with gaps is that most people with hospital cover in a general year do not claim, so therefore they are not going to experience changes in gap arrangements quickly, and we need to alert people to that to build more public expectation and demand for gap cover. Secondly, I think the extent to which the problem has been solved across different funds and with different doctors and different craft groups has varied enormously. The battle is not won yet and though we are seeing a steady improvement and more activity now than we had a year

or two ago. I think there is still a long way to go to really solve the problem. I do not think the horse has bolted.

Senator WEST—What assistance are you going to give those people who have already responded and reacted to the significant fund advertising, which you have already admitted to, to make sure that they have made a decision when they were fully aware and empowered, when they have now made a decision that they discover is not suitable to them? Because you are late in this sequence of advertising, if this is the way you want it to go, what assistance and redress are you going to give them to ensure that they can actually get access to the right type of gap insurance once they are empowered and aware?

Dr Wooding—I think these are things we are going to be investigating for our market research and our other strategies, and it is really early days yet. I agree these are issues that we need to address in the campaign, but we are only at the beginning, so these are issues we have identified that need to be addressed.

Senator WEST—So people have no redress at this stage if they have purchased the wrong gap insurance?

Dr Wooding—We know that the performance is patchy. It depends very much on which doctor you go to, as to whether you will receive a no gap product or even a known gap arrangement. We are aware of this. We do not have universal gap cover at the moment, so of course consumers are going to purchase products and are going to still experience gaps. Our data shows us that is still happening. What we are trying to do is to build a sort of momentum out there in the marketplace where the gaps will be covered.

Senator WEST—You are going to be out there encouraging people to take out gap insurance. Is that right?

Dr Wooding—Currently all the gap cover arrangements are just part of the basic hospital insurance product purchased by a fund member. You do not have to take out a specific separate product to achieve gap cover, therefore what we are really trying to do is offer people gap insurance and try to make it a better product for them and increase the likelihood that they are going to experience no gaps.

Senator WEST—How many complaints has the department received since 1 July in relation to private health insurance?

Dr Wooding—I would have to take that on notice, Senator. Certainly we received ministerial correspondence and some emails and some complaints through the telephone information service. We will get you some information on that.

Senator WEST—Have there been any specific common complaints?

Dr Wooding—Whenever these Tony Quint & Associates surveys are undertaken or other surveys are undertaken by funds, such as MBF, or when we do our own work, gaps always loom large as a problem in people's minds. I think people see it as making health insurance less value than it otherwise would be.

Senator WEST—Has the department played a role in monitoring the advertisements?

Dr Wooding—For Lifetime?

Senator WEST—In the private health funds.

Dr Wooding—Senator, you asked me about 12 months ago at a Senate hearing whether we were vetting the ones that included the umbrella, and I said I was making sure that I could see

every ad that was being run. We were using media monitoring to bring ads to our attention and looking at them. If we saw any concerns or if we received any complaints we did have a look at them, but up to now there have not been any particular issues raised with us about any ads.

Senator WEST—You did not think the ones where you could get the holiday to Maui and the joggers and someone's wedding, I think, were at all somewhat over the odds?

Dr Wooding—They were the ones you raised specifically with me.

Senator WEST—Yes.

Dr Wooding—I had a look at them after you raised them because I had not seen them. The wedding was a metaphor in the ad, I think. They were saying that there was a big day approaching, which is your wedding day, and there is another big day approaching, which is 30 June. The holiday in Maui and the gym shoes were basically benefits offered under the ancillary table of the fund concerned. The holiday in Maui was a certain amount of money that a contributor could use to pursue a health related activity that would improve their overall health and wellbeing.

Senator WEST—I did not think that was really the basic private health cover that the government was wanting to advertise or to get people to sign up to, was it? Minister, was that the sort of private health insurance the government wants people to—

Senator Herron—I am not familiar with it, Senator West. Apart from your raising it, I personally did not pursue it. Perhaps we could take that on notice.

CHAIR—But aren't these just basic marketing tools? I have been in sales and marketing for most of my working life, and they are just marketing tools that people use. What is different about them?

Senator WEST—Maybe we have discussions and varying positions on what is appropriate marketing and advertising.

Dr Wooding—I think our ads for lifetime health cover emphasise the hospital issue. Obviously MBF is a private organisation and how they wish to market their products is up to them. I imagine they gained new members through that period so their advertisements must have had some success.

Senator WEST—But they were using the government symbols and the umbrella badging. They were leaving people with an impression that there was certainly some degree of government imprimatur and approval with all this.

Dr Wooding—These were aspects of a legitimate ancillary product that they were emphasising and for that reason it was not part of the regulatory or legislative power of the government to be concerned about them.

Senator WEST—At this stage we will have to agree to disagree because time is on the wing, but I certainly have concerns. I will be interested to know if you can get back to us with how many complaints you have had.

Dr Wooding—Certainly, Senator.

Senator WEST—Can I turn now to outcome 9.

Ms Jay—Through you, Chairman, could I just clarify an earlier response to a question from Senator Evans in relation to legal proceedings by the ACCC about Medibank Private advertising. I did state that we were not aware of those legal proceedings until 26 October.

That is certainly the date on which the statement of claim was lodged with the Federal Court. There was correspondence from the ACCC in relation to a query in some of our advertising approximately two weeks earlier. I cannot be more specific about the date and a conversation with the ACCC subsequent to that.

CHAIR—Thank you. Thank you to the officers from outcome 8. We will now return to outcome 4.

[4.24 p.m.]

CHAIR—I now call officers for outcome 4, Quality Health Care.

Mr Podger—My senior person is having a family issue. She was here a short time ago but cannot be here now, so Peter Broadhead is standing in for her. That is why we are somewhat delayed. I apologise.

Senator WEST—That is fine. What process was followed for the short-listing of people to appoint to the inaugural board of the National Institute of Clinical Studies.

Mr Wells—The minister had several rounds of consultation with the medical community—colleges of medicine, et cetera—and part of those consultations was to talk about the role of the Institute of Clinical Studies and how it might best be structured. We did not formally seek names from bodies, but there were some informal soundings, as I understand it. From that process it was decided to establish NICS as a company and the composition of the board was determined by the minister.

Senator WEST—Was it the minister who was involved in the informal soundings?

Mr Wells—The minister and/or his staff were involved in some of those informal soundings. The department was not.

Senator WEST—What role did the department have?

Mr Wells—We were involved in the formal consultations around the role of the institute, et cetera, but not in the soundings about possible membership of the board.

Senator WEST—Is that normally the way this is done? How is the short list drawn up when you need membership for boards for these sorts of things? What is the normal process for the short list being drawn up?

Mr Wells—This is the first board I have been involved in, so I am not sure whether it is normal or not.

Mr Podger—Normally there is some involvement of a department in the process. There is usually a degree of iteration between the department and the minister and his office on most board appointments that are in the portfolio. The department will normally have a set of names that will go forward at the beginning and then there will be some toing and froing around that as the minister and his office and the department do some soundings. That may change over time. On this occasion the department was not involved in that sort of process.

Senator WEST—Thank you. What is the remuneration for people appointed to the board?

Mr Wells—I do not think I have that information with me. Can I take that on notice, please?

Senator WEST—Yes. I am interested in knowing how this is determined.

Mr Wells—I suspect that will be a matter for the company, but I will have to take that on notice. I will get you a response. I do not have that information with me.

Senator WEST—All right. If this is now a company, what avenues does this committee have to scrutinise that company?

Mr Wells—The company, under the companies legislation, will have to produce an annual report on its activities. The company will be funded through a contract with the department and that contract, of course, will set out what the government's objectives are for that company to achieve.

Senator WEST—Do we know what the government's objectives are for this company?

Mr Wells—I think I can table a document, which will set out the role of the company. I will have to go back to my chair later and get that.

Senator WEST—That is fine. When did the department first become aware of who was on the short list for the board?

Mr Wells—As Mr Podger said, that is an iterative process. We would have been aware of some of the names probably from early this year, late last year.

Senator WEST—When did you become aware of the name of Dr Rachel David?

Mr Wells—I personally became aware of that, some time in August of this year.

Senator WEST—When was the board announced?

Mr Wells—It was announced on 3 November.

Senator WEST—Is this the same Rachel David that was the author of a flawed statutory declaration about a critical meeting of the MRI scan scam?

Mr Wells—I am not sure I can answer that.

Mr Podger—Leaving aside the last part of the question, because I am not sure that that is accepted, Dr David was one of the people who did put in a statutory declaration over the MRI issue.

Senator WEST—Did the department provide any advice that it may have been inappropriate for her to be considered because of that?

Mr Podger—The department has given no advice on it.

Senator WEST—Did the department have any role in drawing up the minister's press release or the lists of the announcement on 3 November?

Mr Wells—We normally do have a role. We might prepare an initial draft of the press release. I was not here at the time. I was on leave, but I expect we would have. If you wish I can take that on notice and confirm.

Senator WEST—I am interested to know if you did, because it lists Dr David's current and previous jobs but fails to disclose that she had recently been on his personal staff and was one of the key witnesses in the MRI scan issue. That is why I am interested to know.

Mr Wells—As I say, I was not on duty at the time. Normally we would provide a basic draft of a press release, but the final press release is done in the minister's office.

Senator WEST—The department gave no advice at all about who should be on the board—it was totally done in the minister's office?

Mr Wells—No, that was not our role. We were aware of the thinking, but we were not providing advice about who should be appointed or who should not be appointed.

Senator WEST—So it was totally the minister and the minister's office. Thank you.

Senator GIBBS—I wanted to ask about this National Depression Institute. I know we asked a few questions about this in May. What stage are we at now with the Depression Institute?

Mr Casey—In the last three weeks a company named Beyond Blue Ltd was registered with the Australian Securities Commission, and therefore the company that will take forward the national depression initiative has been set up. A chief executive officer has been appointed, and that is Professor Ian Hickie, who was formerly professor of community psychiatry at the University of New South Wales, I think—or else it was Sydney University. He has only just taken up the appointment. Currently the organisation is obtaining premises and setting itself up as a company.

Senator GIBBS—So we have not started delivering programs yet?

Mr Casey—Professor Hickie has been involved in a lot of consultation with interested stakeholders and the company anticipates that it will prepare a strategic plan by March of next year.

Senator GIBBS—Could we have a breakdown of funds and areas where money has been spent? Consultancies, capital, staffing, program delivery?

Mr Casey—I would be happy to provide the information that we have at this time. I do not have all that detail here. The company has a constitution which sets out the objects of the company in taking forward the national depression initiative. There is also in existence a draft memorandum of understanding between funding governments in Australia which would constitute voting members of the company. That includes the Commonwealth, Victoria and the Australian Capital Territory at this stage who have given written indications of their level of funding.

Senator GIBBS—The Commonwealth was going to spend \$82.972 million on this, wasn't it?

Mr Casey—No, \$3½ million per year over five years has been the Commonwealth commitment. This has been matched by Victoria who have also committed \$3½ million per year over five years.

Senator GIBBS—That is the Victorian government.

Mr Casey—The Victorian government, and the ACT have committed \$70,000 per year over five years.

Senator GIBBS—So this is totally funded by governments.

Mr Casey—At this stage no agreement has been entered into with a non-government funder, although the board of the company will be now commencing discussions with a number of corporate entities that have expressed interest, but they were only established as a board that was formally launched about three weeks ago.

Senator GIBBS—How many people are on the board?

Mr Casey—There are currently nine directors.

Senator GIBBS—These are all private people?

Mr Casey—They are all there in their private capacity?

Senator GIBBS—Non-government people?

Mr Casey—Yes.

Senator GIBBS—So they are going to get this whopping great bag of money. Who are they going to report back to?

Mr Casey—They will report through the normal corporate reporting structure, so they will have to prepare an annual report. The voting members in the constitution—so-called, otherwise they might be known as shareholders—are those governments that are funding the initiative. So the Commonwealth, Victoria, ACT and other state governments that provide funding will become the voting members or the shareholders. The board of the company will be responsible to its shareholders.

Senator GIBBS—So they are going to have to report back to the shareholders, which means the Commonwealth government and state governments.

Mr Casey—Yes.

Senator WEST—That means we get a go at estimates, does it?

Mr Casey—I cannot answer that question. I do not know the answer to it.

Senator WEST—I hope it does.

Mr Podger—No doubt.

Senator GIBBS—So next time we have these nice yellow books called PBSs, there will be itemised accounts in here—or do we have to go to the annual report?

Mr Casey—My understanding is that all the financial dealings of the company will be in the company reports that they have to provide in accordance with the Corporations Law and their annual reports. How they spend the money and their accountability back to the funders will be through the corporations requirements of any other company. However, as the Commonwealth is a funder and a voting member then, as Mr Podger has said, the Commonwealth will always be happy to bring information forward, and I would be happy to provide copies of the constitution of the company so that you can have a greater understanding of the structure which has been set up.

Mr Podger—More generally, the fact is that we are providing money each year that will need to be appropriated, therefore it will be covered within the PBS document and it will be part of this outcome and therefore there are provisions for performance measures within this outcome, but there will not be details in that PBS in future on it as with a number of other areas. You will have to ask us questions about other documents and details around it.

Senator WEST—Given the rate at which you are setting up companies in the department you will soon have more than the Australian Stock Exchange.

Senator GIBBS—They might go on to the Stock Exchange. We can buy shares soon. We are only joking. Mr Casey, who appointed Professor Hickey? Was it the Commonwealth?

Mr Casey—No, he was appointed by a selection process by the board of the company. The Commonwealth and Victoria were observers in that selection process.

Senator GIBBS—Who put the board of directors together? How were they chosen and who chose them?

Mr Casey—The board of directors were chosen through discussions between the Commonwealth and the Victorian governments about who would be suitable people to be appointed to the board. Other governments were invited to make suggestions about people who lived in their jurisdictions who would also be appropriate people to become directors on the board. Again, it has been done through an intricate process of discussions, suggestions of

appropriate people and the roles they would play in constituting a board that would bring the right skills, experience and perspectives to the running of this initiative.

Senator GIBBS—So a representative of the Commonwealth government and the state government sat down and decided who it would be. Is that right?

Mr Casey—Yes, there were discussions between our respective governments. As to the initial board members, the views of the respective ministers were sought on whether in fact they concurred with the recommendations of the departments, both the Victorian and the Commonwealth.

Senator GIBBS—Which states do these board members come from?

Mr Casey—I have the list of nine. The chair, of course, you know is Jeffrey Kennett from Victoria; John McGrath is from Victoria and he is the chair of the Mental Health Council of Australia, which is the national peak body; Dr Paul Hemmings is the incoming president of the Royal Australian College of General Practitioners and I think he takes up his post next year.

Senator GIBBS—Where is he from—Victoria?

Mr Casey—He is from Victoria and Caroline Hogg is from Victoria. That is four Victorians. There is also Nova Peris-Kneebone, who is from the Northern Territory; Garry McDonald, who is from New South Wales; Jenny Pickworth, who is from Western Australia; and Gwen Wilcox, who is from the ACT. We would be seeking a director from South Australia and Tasmania as those jurisdictions come on board, so to speak. We are having discussions with them about somebody from those jurisdictions whom they would like to propose as a suitable person.

Senator GIBBS—A bit top heavy with Victorians, aren't we?

Mr Casey—Victoria is a major contributor to this initiative.

Senator GIBBS—The same as the Commonwealth.

Mr Casey—There are a number of Victorians but the Commonwealth has been happy that those people bring the necessary skills and experience.

Senator GIBBS—Is Queensland going to be involved in this?

Mr Casey—Sorry, I should add Professor Harvey Whiteford, who is from Queensland.

Senator GIBBS—He is already there, is he?

Mr Casey—Yes.

Senator GIBBS—Thank God for that.

Mr Casey—I forgot him.

Senator GIBBS—At least we have got one.

Mr Casey—I do apologise, or he will not let me forget it.

Mr Podger—Some of you on the committee will also know that Dr Harvey Whiteford was, of course, previously head of the Mental Health Branch in the department and still does some work for us from time to time.

Senator WEST—I have nothing more on outcome 4. Can we go to outcome 5, please. Here I expect lots of answers because I think I have given you fair warning of some of the things I am going to ask. This is rural health, rural doctors, numbers. I hear a moan and sigh

of horror, but you have had a couple of weeks warning. What are the numbers for rural doctors?

Mr Tongue—I might just recap on the measures that we have previously talked about for how we count rural doctors. We use three measures.

Senator WEST—You told me a couple of years ago you could give me the figures. You gave me the breakdown of the numbers in terms of actual raw numbers and you gave me the numbers in terms of EFTS.

Mr Tongue—Yes, full-time equivalent and full-time workload equivalent.

Senator WEST—That is what I want—it is now two years down the track—on the 3, 4, 5, 6, 7 categories; the ones that are of major interest.

Mr Tongue—At the raw head count of doctors providing primary care services in rural areas, it has risen 11 per cent in the last two years. The full-time equivalent measure has risen slightly under one per cent.

Senator WEST—So it is less than one per cent.

Mr Tongue—And the full-time workload equivalent measure has risen similarly only slightly, at about one per cent.

Senator WEST—That is across the rural areas.

Mr Tongue—Yes.

Senator WEST—That is rural, remotes as well as—

Mr Tongue—That is what we would call RAMA 3 to 7. That is provincial centres all the way out to the outback.

Senator WEST—Do you have them broken down into 3, 4, 5, 6 and 7?

Mr Tongue—We tend to group 4 and 5, and 6 and 7 together, and 3 separately. I can provide that to you.

Senator WEST—Because 3 is actually the base hospital places.

Mr Tongue—Yes, exactly.

Senator WEST—Bathurst, Orange, Tamworth, Albury and Wodonga.

Mr Tongue—Those sorts, exactly.

Senator WEST—Do you have those broken down?

Mr Tongue—Yes, we can break them down for you.

Senator WEST—Please do. I had in fact hoped for that. So whilst the overall figures are up, the full-time workload equivalents have had no great change.

Mr Tongue—Yes. There are a couple of explanations for that. First of all, in terms of overall growth in GP numbers, what we have observed is that the head count in urban areas is actually dropping in relative terms.

Senator WEST—In urban areas?

Mr Tongue—Relative to population growth it is dropping. In rural areas we are doing particularly well. That focus on head counts means that we are successful in getting doctors out there, but we think we are tracking a couple of changes going on in general practice: feminisation, so we are attracting more—

Senator WEST—I would not have thought you were thinking you were tracking that; I would have thought you were definitely tracking that.

Mr Tongue—Yes, and also generational change. The work force we are attracting to rural areas is changing. Our initial focus has particularly been through the rural work force agencies that we fund in areas like locum support. Our initial focus has been to try and support the doctors who are already there through some of the longer-term initiatives, such as the John Flynn scholarship scheme.

Senator WEST—To stop them from leaving.

Mr Tongue—Yes. We have been focusing on retention and we are now swinging over. For example, in the 1996 budget the John Flynn scholarship scheme was introduced. The first scholarship holders leave medical schools this year and they will enter the system. The work we have done with them indicates a high intent to return to rural areas.

Senator WEST—Those who have undertaken the John Flynn who hit the junior resident wards or whatever they call them these days—Dr Herron knows what I mean, the first year outs—what are you going to do to continue to encourage that interest in rural medicine, given that they do really need to be in a teaching hospital or a big hospital in their initial year to get that breadth of experience?

Mr Tongue—What we are proposing is that, with the HIC's measure that was introduced as the More Doctors Better Services package, that will be available from RAMA 3 to 7. Principally that will target those people in the RAMA 3 base hospital areas, so there will be a financial attraction for them. We are also, as part of the package, providing additional funding to rural divisions to support young doctors as they go out to rural areas, so that it is not just a case of throwing them out there and hoping that they stick; it is actually trying to build some support systems around them so that we can sustain the change.

Senator WEST—What are you going to do to ensure that the RAMA 3s actually get the breadth of experience they need? Some of it they really can only gain in the big hospitals in the city areas. You would not put them in a RAMA 4, 5 or 6. Their career path is extremely limited. What are you doing to ensure that those who take up a RAMA 3 junior residency position are able to maintain a career path that gives them the option, maybe 10 or 12 years down the track, of doing a fellowship in a specialty area, if they wish to?

Mr Wells—I think improving the educational infrastructure through, particularly, the initiative around additional rural clinical schools will make centres like Wagga more attractive and there will be a bigger educational infrastructure around because the clinical school will bring in associate professors or whatever. They will be able to continue to work in those places with people who are connected into the academic network and into the colleges as well, so they will not feel as isolated from the normal career paths. We are hoping that measure, while it is directed primarily at the undergraduate training doctors, will also have a spin-off effect. We are getting some indications of that from Wagga already.

Senator WEST—Are you able to break down the figures for those people that are out there—that 11 per cent of extra bodies—in terms of fully qualified with vocational registration, practitioners without vocational registration, trainees undertaking registrar placement, graduate students undertaking placement and undergraduates providing assistance?

Mr Tongue—Senator, that is a lot of data. We could. It will take us a little while but we can pull that information together.

Senator WEST—I am more interested in the fully qualifieds, the practitioners without vocational.

Mr Tongue—They are relatively easy for us.

Senator WEST—The registrars should be relatively easy as well, I would have thought.

Mr Tongue—Yes, that is right.

Senator WEST—How many doctors in rural areas are practising out there under an exemption scheme related to the overseas trained doctors in Australia as temporary residents? Do we know that?

Mr Tongue—My recollection is around 200, but Mr Wells may know..

Mr Wells—Senator, I would have to take that on notice to get you the exact figure, but it is of that order.

Senator WEST—I am interested to know what that figure has done over a period of time. How many are out there also under schemes for overseas trained doctors being given permanent Australian residency?

Mr Wells—Again, I would have to get the figure.

Senator WEST—I thought you might have had some more of those figures for me.

Mr Wells—At the moment I think it would be a relatively small number, but most of the states are undergoing recruitment campaigns. I am talking now about the latter category of those GPs.

Senator WEST—The latter category has only been in operation for a short while.

Mr Wells—The numbers would be small, but I could get some information for you which might give some indication of where it is heading, if that would be useful.

Senator WEST—Yes. We still have problems with doctors in rural areas in terms of actual full-time workload equivalents. This brings me to the next groups out there in the rural health areas. You cannot run a health system with just doctors alone. What role does the government or the department see that it has in work force issues in relation to the allied health professionals, and what is it doing about it—anything or nothing?

Ms Davidson—There are a number of things that are happening in the area of rural health. There was one measure in the last budget which provided some funding through GP divisions for allied health and, in the regional health services program, a lot of the proposals that we are getting in are to provide additional allied health services in rural areas. We also have the Reset program where we provide grants for people to help with support and training, and a lot of those proposals come from people in the allied work force in rural areas.

Senator WEST—But the bodies are not there to begin with. What are you going to do to get enough bodies there in those professions to deliver the professional service? Is the department looking at all at what is going on with those seeking entry into university to undertake those studies, coming out at the other end? Has the department looked at the possibility of, where you are getting postgraduate training for medicine, people undertaking an allied health profession qualification, doing their four years there, getting a reasonable pass and then moving on to medicine? Is anybody looking at those figures?

Mr Wells—Yes, we are. We are aware of that last issue you raised of allied health or other professions using that as, if you like, a base degree for entry into medicine.

Senator WEST—They will be very good doctors because they will have a much broader health understanding.

Mr Wells—That is right; so it is a positive move in that regard.

Senator WEST—But that does not leave the rest of the health professions in a good state.

Mr Wells—One of the shortfalls here is data. We have been working with DETYA on looking particularly at nursing. We hope we will be announcing some review there shortly. The Health Ministers Advisory Council has now also established the Health Workforce Advisory Committee to parallel AMWAC—Australian Medical Workforce Advisory Committee—with a particular brief to look at some of the sorts of issues you have been raising. We have a meeting this week or next to start getting that committee up and running. These are things that are about to happen. They are positive steps and they will help us get some of that data that will then inform policy around this area.

Senator WEST—When I started asking these questions a couple of years ago, I was told the Commonwealth had no role, so I am pleased to see that it has gone to AMWAC and it is proceeding along in what I would consider, belatedly, the right direction. I am serious when I say you cannot run a health service with just doctors.

Senator Herron—Senator West, it is true the department is aware of it and certainly there have been representations by the Nurses Federation about it. There are fairly dramatic shortages occurring with the ageing of the profession; just young people coming in. There are specific shortages in relation to rural nursing, obviously, but also mental health nursing and a lot of other avenues. I think the department is well aware of that and the Nursing Federation has made representations about it.

Senator WEST—It is not just the Nursing Federation. It is the colleges that I am—

Senator Herron—Yes, both the colleges and the federation.

Mr Podger—The group being set up paralleling AMWAC will be chaired, as I recall, by John Ramsay who is the head of the Tasmanian department, and the Commonwealth will be represented by Mary Murnane in working that through. You portray it as the Commonwealth only ever having been interested in doctors. I do not think that is entirely fair. The facts are that we have a particular interest in doctors because of the design of the MBS scheme, but that does not mean that we have no interest in nurses. We do, most directly through the aged care side but indirectly across the rest of the system.

Senator WEST—Is there a move to have a chief nursing officer?

Mr Podger—No, but we are in the process of finalising an appointment. I do not know whether the person will be a nurse, but in the aged care division we are looking to have a very senior technical adviser with that professional background in aged care. We have not specified it must be a nurse but it is looking for somebody who is going to be a technical professional adviser at a very high level.

Senator DENMAN—You have addressed the issue of rural health to some extent but is it true when young doctors go out into some of these remote areas—and I am again thinking of the west coast of Tasmania—that it is the families that have difficulty adjusting to the life in those remote areas? There is obviously not a lot you can do about that.

Mr Tongue—One of the issues we are finding with young doctors that we are starting to get through the system is that many of them have been through postgraduate programs, so they are a little bit older and they are more likely to have families. What we are doing through

rural work force agencies and also under the general practice memorandum of understanding, is putting more effort into family support which includes finding partners employment where we can, looking at the placement of children in schools, children with special needs and so on. It is an area that we have previously supported but we are upping the ante on that point.

Senator DENMAN—It was partner employment that was one of the issues that came to me, plus children's education.

Mr Tongue—Yes, those were the two big ones.

Senator CROWLEY—I understood there was some investigation proposed as to the appreciation of the insufficiency of numbers of nurses, let alone qualifications. Is that the case?

Mr Wells—Yes, there are two issues. One is the issue around education—are there problems in the education sector which are discouraging people from entering nursing as a degree? The second is the work force issues. In relation to that, the Health Minister's Advisory Council has established a general work force committee which will have nursing and the other professions to do the sort of work around those professions which AMWAC, the Australian Medical Workforce Advisory Committee, has done around doctors. It is just beginning.

Senator CROWLEY—So there are no terms of reference clear yet?

Mr Podger—Yes, I think there are.

Mr Wells—I think they are AHMAC. I will get those.

Mr Podger—We can get those to you on notice but there have been terms of reference cleared by the AHMAC processes.

Senator CROWLEY—I would appreciate that. Are there terms of reference available for both those inquiries?

Mr Podger—The first one Mr Wells has been referring to has not actually been finally established. There has been some work done between the portfolios about it but it has not yet been finalised. Until it has been finalised I cannot give you any details.

Senator CROWLEY—If you can just answer these questions, just say and I will look up the answers. What is the time line for the work force inquiry?

Mr Wells—The education and training one?

Mr Podger—No, the second one.

Mr Wells—It will be ongoing. They will come up with a work plan and come back to AHMAC at its meeting in February with a work plan and for reviews that they would do. That would then be ongoing. AMWAC has now been going five years or thereabouts and they come up annually with a work plan of categories or studies that they believe need to be done. So because the committee has not yet formed, that work has not been done.

Mr Podger—There have been some preliminary discussions at AHMAC about what some of the top priority areas are which might be investigated by that group to begin with.

Senator CROWLEY—It is a pretty important area, from all you have been saying in answer to other questions and from what I have certainly been hearing. Are you going to require some kind of response or seriatim responses that give you some sense of what the size of the problem is? What steps are being taken to solve it?

Mr Wells—I do not want to pre-empt Mr Podger but the discussions I participated in at AHMAC around that were clearly indicating that getting the data sets clarified was one of the top priorities. There is not a lot of data around about nursing and even less about allied health, about distribution patterns, age patterns and career profiles.

Senator CROWLEY—We will follow that.

Senator WEST—Time is on the wing, and Senator Lundy will be here in the next 15 minutes or so to ask about chapter 9. Can I continue with 5. I want to know what commitments have been made against the budget initiative to spend \$118 million over four years on the establishment of university departments of clinical schools in rural areas.

Mr Wells—I will talk about the clinical schools. The commitment was to establish nine new clinical schools in addition to the one established at Wagga last year. After the budget we met with the deans of medicine. We subsequently wrote to those universities with medical schools formally inviting them to submit expressions of interest. They have all done that. We then had meetings with the various medical schools and with the state health authorities. We are working that through but we have not yet finalised our thinking, and we have not yet put advice back to the minister on the specific locations and funding for individual schools.

Ms Davidson—In terms of the university departments of rural health, this year there was an additional \$1 million for the Tasmanian university department of rural health because it previously had a lower level of funding than the other university departments, and we have almost finalised a contract with them for that. There was also funding this year for what was called the Greater Green Triangle University Department of Rural Health, and at this stage we are still in negotiation with Flinders University about that. There was funding of \$1 million made available but the progress in our negotiations with the university has not been as fast as we would have liked, so it is not clear whether we will expend all of that this year.

Senator WEST—How much won't you be spending this year? What is the shortfall?

Ms Davidson—It is a bit difficult to tell. We are awaiting a response from Flinders University at the moment about some issues we have raised with them, so it is a bit unclear at this stage in terms of how much of that \$1 million we will be able to expend.

Mr Podger—I think it is fair to say more generally that we will have to wait until AEs to have a picture on a number of these sorts of things.

Senator WEST—Have any other proposals been received?

Ms Davidson—What we did with the proposals for new university departments of rural health and clinical schools is have one process. We have called for expressions of interest from universities for either a clinical school or a university department of rural health. So we now have proposals from universities for either of those, and the department is currently looking at those.

Senator WEST—So there are no approvals at this stage.

Ms Davidson—No.

Senator WEST—We heard that the minister had personally decided on the location of the first one. Have criteria now been established where these facilities are to be located? What are these criteria?

Mr Wells—We certainly published material around the clinical schools. I could provide that on notice for you,

Senator WEST—Thank you. Do you have criteria for the rural health funds?

Ms Davidson—We have criteria for what university departments of rural health have to satisfy. It does not actually talk about the location of them.

Senator WEST—Can you give me a copy of that.

Ms Davidson—Yes.

Senator WEST—This is criteria for the location and other general criteria. Has there been a process established to evaluate proposals against the need from the criteria for selection?

Mr Wells—In relation to the clinical schools we are doing that in the department. As I said earlier, we have been consulting with the medical schools, but also with the state and territory health authorities, because they are the ones providing the hospitals where the clinical schools will be based. But we will rank proposals against the criteria and provide advice to the minister from within the department.

Senator WEST—What about rural?

Ms Davidson—In some ways you cannot assess the university departments of rural health separate from the clinical schools. What we are trying to get is a network across Australia, so in terms of geographics we are obviously working very closely to make sure it is complementary.

Senator WEST—So both groups are working very closely together.

Mr Wells—Both groups are working very closely on it. Indeed I think some of the proposals have elements of both, a university department and a clinical school, and we are working very closely together.

Senator WEST—Who has been given responsibility for the evaluation of the proposals?

Ms Briggs—What we are doing, Senator, is that Bob Wells's division and my own division are working jointly and we will jointly put proposals to the minister under the system.

Senator WEST—Will it be a joint sign-off or will Mr Podger sign it off?

Ms Briggs—I am expecting it will be a joint sign-off between Mr Wells and me.

Mr Wells—Yes, a joint sign-off between Ms Briggs and me, I think.

Mr Podger—To clarify what we have done, because this is such a high priority area, we have brought rural health, the driving of the agenda, into the central Portfolio Strategies Division, but the nature of the agenda is that a number of other divisions will be involved. We have Andrew Tongue here from the GP branch, from one division, and Bob Wells from another. A number of other divisions also, such as aged care and so on, are caught up, but we are driving it out of the PSD.

Senator WEST—What role has Dr Jack Best had, since the completion of his *Rural Stocktake*, in further consideration by the department of a university of rural health or the establishment of clinical schools?

Ms Briggs—Senator, he has had no role in our processes associated with this.

Mr Wells—I understand that Dr Best has been engaged by some of the universities to assist them in developing their proposals.

Senator WEST—Do we know which ones?

Mr Wells—No, I do not. I know some of them, but I do not formally know, and I certainly do not know all of them. I made it clear to Dr Best and to all the deans of medicine that we, the department, would be dealing with them as principals—that is with the deans of medicine or with the nominated university representatives—and not with intermediaries on this matter.

Senator WEST—The universities are very clear as to who you will be negotiating with?

Mr Wells—Exactly.

Senator WEST—Has the department investigated allegations that Dr Best has secured payments from at least one university on the grounds that his involvement would assist in the selection of that university for funding under this program?

Mr Wells—The relationship of Dr Best with the universities is a matter between Dr Best and each university. I am not sure what there would be to investigate. If Dr Best sells his services to a university, it is up to that university to assess the merits or otherwise of his proposal.

Senator WEST—There is an allegation that he has secured payments from at least one uni on the grounds that his involvement would assist in the selection of that university for funding.

Mr Podger—From our end, we have no basis to make comment on that at all, other than to say that from the department's point of view when managing conflicts of interest, which was the issue that was raised here at an earlier hearing, we have made it clear that Dr Best or any other intermediary will not be involved in our deliberations, but any university is free to engage whoever they like to get some technical advice or whatever. Dr Best is a very competent person if they wish to take that on but, in terms of handling the conflict of interest, neither Dr Best nor any other intermediary will be involved in our processes.

Senator WEST—What steps has the department taken to ensure the independence and integrity of the decisions that will allocate this \$118 million?

Mr Wells—As I said, Senator, we are assessing these proposals within the department, as departmental officials, and then providing our advice to the minister. We are not engaging any external consultants to assist us in the process.

Senator WEST—And you have some pretty clear criteria and guidelines?

Mr Wells—Yes, Senator.

Senator WEST—That finishes outcome 5.

[5.15 p.m.]

CHAIR—We will now deal with outcome 1—Population health and safety.

Senator WEST—We warn those appearing for outcome 9 that outcome 1 will not be very long. Outcome 9 should be in the wings—in the room, basically.

Mr Podger—I am confused. I thought we were going to outcome 9 at this point.

CHAIR—I am sorry, we were, but because there was only a question or two on outcome 1 we are trying to get that away. We spoke to someone a little earlier who did say that that was what was going to happen.

Mr Podger—I am just checking who is in the background, but I think one or two of the people from outcome 1 may not be here. It depends on the questions.

CHAIR—That is fine. If they are not here, that does not matter. We can go on with outcome 9.

Mr Podger—We will do our best. We are here.

Senator DENMAN—How is the National Illicit Drug Campaign mail-out progressing? The one that was supposed to go out last year and did not.

Mr Corcoran—The work on that has largely been completed. It is a question of the timing of that, in the face of large government campaigns around the GST, the Olympics and the fact that we are now moving to Christmas. There is the question of deferring that until there is a clearer spot in the communications environment.

Senator DENMAN—You are telling me that the delay in that is because of the GST and other factors, not because it has gone back to be redesigned?

Mr Corcoran—No, it was more scheduled for the period in which the Olympics took most of the space.

Senator DENMAN—But it was scheduled for last year, do you remember?

Mr Corcoran—No, the development work was being done last year, Senator.

Senator DENMAN—I think not. What changes have been made to the original document? I am getting information that tells me it has gone back to the Prime Minister and it has not been acceptable. Is that true?

Mr Corcoran—There has been a large range of inputs, including focus groups, expert committees such as the ANCD, our department, other experts and obviously the Prime Minister's officers have had an interest, as have our ministers.

Senator DENMAN—What are the sorts of qualifications of the people who have an input?

Ms Kerr—Perhaps I could assist with an answer to that question. As Mr Corcoran said, there has been a broad range of stakeholders consulted on the campaign, including on the booklet. We have had a reference group from the Australian National Council on Drugs and that has been chaired by Professor Margaret Hamilton, who is from Turning Point in Victoria. We have had a group of officers from the Intergovernmental Committee on Drugs, which is the Commonwealth-state committee that oversees drugs policies and reports to the Ministerial Council on Drug Strategy. We have also had discussions with a range of stakeholders outside of that, including ADCA, the Alcohol and other Drugs Council of Australia.

There has been a range of people involved, including, as Mr Corcoran suggested, officers from other departments at the Commonwealth level, because, as you would know, DETYA has an interest in what we say to parents. They themselves have initiatives that are going to be running out early next year, including summits for parents and the community. Again, in picking up on Mr Corcoran's comment about when the parent booklet will go out, it will coincide next year with that activity that DETYA is responsible for.

Senator DENMAN—Can you assure me that this mail-out that is going out is not taking purely a puritanical viewpoint?

Ms Kerr—Yes, I can assure you of that, Senator. It will take a very balanced approach. It will be around how parents can engage with their children, how they can talk to their children about this very difficult subject.

Senator DENMAN—You are lucky, Ms Kerr. I had something like 28 questions but, as I have been cut short, that will do. I will put the rest on notice, thank you.

Senator GIBBS—I will cut mine down, too. There was a recent study done on buprenorphine. It was a government funded study. The results were quite good. Apparently, even though it was not terribly extensive, most doctors agree that it is quite good. It says in this article that I have that buprenorphine has been approved in Australia recently but stocks are not available. Will there be stocks available, and when?

Ms Kerr—I am aware of that study that was reported in the media this week. It was a study undertaken at Turning Point in Victoria and funded by the Victorian government. As I understand it, TGA has recently registered subutex sublingual tablets which contain buprenorphine and I am not aware of when it will be available. I saw the article as well. I cannot comment on that but I do know that there are presently discussions going on about whether it may be considered for PBS listing. But it is entirely up to the company to put that case to the PBS.

Senator GIBBS—There have been quite a few studies done overseas but we do not seem to take much notice of what goes on overseas. We like to do our own thing in this country.

Ms Kerr—Under the national illicit drug strategy the government is funding an evaluation of trials of a range of new pharmacotherapies including buprenorphine and the results of those trials will be available next year.

Mr Corcoran—Also, the Therapeutic Goods Administration waits for applications from the company before it assesses something to be safe for availability in Australia. It is in the hands of the company when the particular drug is brought into the country for a particular use.

Senator GIBBS—Do you think this could replace methadone as a maintenance program? We do seem to spend an awful lot on methadone. According to this study and from what I have read of overseas studies, people who are on this are more likely to be on it for a month and then, of course, long term. After a while they do not need to take it each day. If it is a maintenance program funded by the government, for the bean counters that is a saving of money and we can help a lot more people. If the results are quite good do you think this could replace methadone?

Ms Kerr—I would not like to comment on that, Senator, but what I could say is that in the evaluation of the trials that are being undertaken and funded by the government under its national illicit drug strategy, they are looking at those sorts of issues. They are looking at the effectiveness of those pharmacotherapies, clinical characteristics, advantages and disadvantages of each pharmacotherapy type. I would think that the report of the National Drug and Alcohol Research Centre will at least point in the direction of some of those issues you have raised.

Mr Corcoran—It then also needs to be considered by the Pharmaceutical Benefits Advisory Committee as to its cost effectiveness before it would be available on the Pharmaceutical Benefits Scheme. It has to go through a series of processes.

Senator GIBBS—Thank you. We will ask more about it next time.

[5.24 p.m.]

CHAIR—We will now deal with outcome 9—Health investment.

Senator WEST—In 1999 the department issued a \$2 million contract to Optus to model the implementation of an integrated electronic system at Bendigo Hospital. What was the process for the development of this project?

Mr Hagan—Optus initially approached the office of Minister Wooldridge and the proposal was then referred to the department. A decision was made to proceed with that in conjunction with the Victorian government and the Bendigo area was chosen. The project was about information and networking essentially, the problem being that often GPs, for example, do not know that their patients are admitted to hospital or when they come out again. It is a very large multivolume project. A lot of work was done with the community to test what solutions might be best in the whole area. It was not just the hospital; it was all the feeder systems as well. It was testing various ways of communicating and networking the community.

Senator WEST—You say that Optus approached the minister who referred it to the department and, in conjunction with the Victorian government, the decision was made to go ahead at Bendigo.

Mr Hagan—Yes.

Senator WEST—Who made the decision? Was it the minister and the Victorian government or was it through the department?

Mr Hagan—I think the department made the decision.

Senator WEST—Would you check that.

Mr Hagan—In conjunction with the Victorian government.

Senator WEST—Justification for this project in the annual report is shown under category F, 'The government specifically requests an independent external report.' Who in the government requested that report and what was the reason it was provided?

Mr Hagan—The minister asked. It is the report to the minister?

Senator WEST—The minister requested an independent external report. Is that correct?

Mr Hagan—I think part of the project itself was to engage a consultant as an independent commentator on the project. That is what might be referred to there.

Senator WEST—Maybe you had better check that on notice and come back to me on that. The selection process for this contract was given a category 3—direct engagement of a recognised and pre-eminent expert. How was it determined to give such a large contract to Optus? What were the criteria that were used and why was it decided that they would be a recognised and pre-eminent expert?

Mr Hagan—There are only two major telecommunication carriers there, so they were considered on the basis of their networking expertise and also their expertise in telecommunications more generally. It was on the basis of their expertise.

Senator WEST—Is there paperwork in the department that will indicate that?

Mr Hagan—I will have to follow that up.

Senator WEST—What process was taken to determine the most suitable consultant to carry out this task and who decided that the contract should not go out to an open tender? You might want to take it on notice.

Mr Hagan—I will take that one on notice.

Senator WEST—What role did Mr Tony Maine of the Sydney public relations consultancy, Maine Consulting, have in this proposal?

Mr Hagan—That is a different proposal, I think.

Senator WEST—A different proposal, is it?

Mr Hagan—It is the Horizon Project.

Senator WEST—He was not the originator of the Horizons proposal?

Mr Hagan—The National Farmers Federation approached the minister in the first instance, as I understand it, with the Horizon Project. Optus was also involved in that consultancy, but did not take the lead role.

Senator WEST—You might like to advise me on notice of who is involved totally with that project and how they were each decided upon, whether it was an open tender and the criteria used for the selections. I am interested to know whether Mr Maine was the originator of the proposal and whether he was the author of the proposal that the department assessed.

Mr Hagan—I will take that on notice.

Senator WEST—I want to know what involvement the minister's office had in the development of this proposal and of them being let. Is the department aware of a success fee allegedly paid to Mr Maine by Optus for his role in them being awarded this contract? What is the department's position in the awarding of success fees for the award of contracts from the department which have not gone to tender? Has the department investigated allegations of a business or employment relationship between the principal parties of this contract and Ms Barbara Hayes after she left the office of the minister?

Ms Briggs—We will take those on notice, Senator.

Senator WEST—At what stage did the involvement of Mr Tony Maine in this project cease, and who took over his role? Has the project now been completed and, if so, is a report now available on what has been achieved?

Ms Briggs—In relation to whether the project has been completed, you might remember—I think it was at the last estimates—that we advised the committee that the project had been completed and that it was the minister's intention to refer it to NHIMAC. In the event, what occurred is that he firstly referred the results of the project to his colleague, the Minister for Transport and Regional Development. That minister has since written back to us, and it is the intention now to go to NHIMAC. Indeed at the meeting of NHIMAC last week they were advised informally that, should the minister to whom the report was made agree, this might be discussed either out of session or at the next meeting of NHIMAC which is scheduled for March next year.

Senator WEST—Back on the Bendigo Hospital matter, what tangible benefits have been delivered to the Bendigo Hospital as a consequence of that project?

Mr Hagan—I do not think we can speak for the Bendigo Hospital.

Senator WEST—Did they get a new IT system out of it, as a result of this \$2 million expenditure?

Mr Hagan—That was certainly the intention, that they would be a major beneficiary of the project, and I think they contributed some money.

Senator WEST—Has this project been subject to an independent assessment to determine whether the outcomes met the requirements established at the start of the project and have the finances of the project been subject to an independent audit?

Mr Hagan—The report has not been finalised yet because it has not been considered by the National Health Information Management Advisory Council, but that will be done at its next meeting or before then. So in a sense it will be that council that will be giving the minister advice on what to do with these reports.

Senator WEST—And there was no consultation or no proposals from Telstra put in for either of these? It was all done with Optus?

Mr Hagan—I am not aware.

Ms Briggs—No, I am not aware that a proposal came from Telstra.

Senator WEST—You can take that one on notice, too, please. I will leave it there.

Senator LUNDY—The first question I have relates to the recently released Australian National Audit Office report. I would like to know whether the department has had the opportunity to test itself against the findings and recommendations contained in the ANAO report.

Mr Moran—‘Test’ might be a bit scientific but certainly we awaited the report with some interest. The recommendations which were specifically directed towards central agencies we generally endorsed or agreed with, but clearly those are issues for those agencies. In respect of the recommendations directed at agencies going through the outsourcing process—that is, in terms of evaluation methodologies and in particular some of the pre-emptive measures one might take in respect of subsequently managing transition and the ongoing management of the contract—we found very little to argue with in the auditor’s report. I guess modesty forbids saying a lot more, but I think it is probably fair to say that we had, prior to the auditor’s report, covered overwhelmingly the issues which he had raised. I hesitate to say that we completely complied but certainly there was, in our view, a fairly strong measure of compliance or pre-compliance. Obviously we had not seen the report.

Senator LUNDY—Were you given the opportunity by the Audit Office to respond to recommendations as an individual department?

Mr Moran—Certainly in the IT area we were not. I think I can say with some degree of certainty that we were not formally, although I believe there was some minor level of contact between our own audit and fraud control branch and the Australian National Audit Office, but certainly there was no formal wind-in in terms of consultation. We were not subject or parties to the audit in that sense.

Senator LUNDY—Were you invited by the department of finance which constructed the whole of government response to the audit report to submit your view to that department?

Mr Moran—Not that I am aware, no.

Senator LUNDY—My understanding is that the Audit Office intends to conduct a similar exercise with the subsequently let contracts, the health group and group 8, starting as of March next year. Is that your understanding?

Mr Moran—I am not able to confirm the date but certainly it has been our understanding for some time that the auditor would want to look at the health group contract, yes.

Senator LUNDY—You have gone through the exercise and obviously looked at the recommendations. For the purposes of establishing the claimed \$54 million savings for the health group, can you advise the committee on what the financial methodology those savings were developed upon and confirm whether or not it was on the department of finance's methodologies which have, as no doubt you are fully aware, been actively disputed by the Australian National Audit Office?

Mr Moran—It is a broad question. If I can anticipate what I think you are suggesting is the issue of competitive neutrality, certainly that methodology which was—

Senator LUNDY—As you are no doubt aware, as it relates in particular to the treatment of Commonwealth assets as part of that financial assessment.

Mr Moran—We, unlike the previous agencies that went before us, have an operating lease rather than a finance lease in respect of the assets. This loads a high degree of risk—not that there is a lot of risk in one these deals—notionally back to the outsourcer. We negotiated what effectively was an operating lease very late in the negotiating process—I cannot speak entirely for them—and it seemed that IBM was offering effectively a finance lease with a certain set of pricing parameters. We ended up with an operating lease which in my view gives us considerably more flexibility in terms of operating the lease with, as far as I can tell, very little movement in the price. It was largely because of the stage at which we negotiated. I think everybody was pretty tired and ready to sign a deal by then.

In respect of treatment of assets, again we took the line recommended by the auditor which is that there would be a proper accounting treatment of assets should we retain them at the end of the lease period. We have in our sole discretion the ability to either keep the assets, to take them over at the end of the lease or not. That is a discretion which we can exercise or not. In the event that we choose to keep them, then clearly the accounting processes recommended by the auditor will be applied, and they were applied on what you might refer to as a worst case in the evaluation and the comparison of the various offerings. So we have factored in the eventuality that we would have an end point for these assets.

Senator LUNDY—I would like to refer to a letter that was published in the newspaper. Unfortunately I do not have it with me, but it alleged that during the final stages of negotiation—that is between the closure of tenders on 15 February and the announcement of the preferred tender on 23 September—as part of the negotiations to lower the price of the tender, either one or two stages of technology refresh were dropped out of the contract. Can you shed on any light on this for me? Are you aware of the letter that I am talking about?

Mr Moran—I am not aware of the letter but to my recollection—and perhaps I should take on notice that I will correct my recollection if it is not correct—it was always the case that there were two technology refreshers bid to us. I am not entirely sure but I am almost certain that it was not the case that the bottom line or the likely outcome was manipulated by removing one refresh. The deal we have with IBM is that there will be two refreshers during the life of the contract.

Senator LUNDY—That is still the case?

Mr Moran—Yes.

Senator LUNDY—It is not likely that in light of what you have just said about shifting from a finance lease arrangement to an operating lease arrangement with, as you say, little movement in the bottom line, that in fact one of the explanations for that little movement in

the bottom line would be to drop one tier of the technology refresh which could in fact account for what the difference in the bottom line would have been?

Mr Moran—No, that is certainly not our intention. It has never been canvassed and has never been considered. The movement in the bottom line was marginal and I suppose it was IBM's response to accepting a high level of risk in terms of dealing with assets that we no longer wanted or simply wanted to get rid of than they had previously anticipated when they put their pricing on the table earlier. There is no plan or intention to wind out one of those refreshers.

Senator LUNDY—So all the refreshers that were contained in the original request for tender remain in the contract?

Mr Moran—I would need to check. I am not entirely sure we sought specifically refreshers. Certainly there was a clear understanding that we would need to have the hardware refreshed periodically. Whether we specifically sought two or whether they were bids advanced by the industry, my memory fails me there. But if the thrust of your question is did we sell ourselves down the drain to cut costs the answer is no.

Senator LUNDY—Would you know if that was the case, given the significant role that the department of finance played in negotiating the contract on your behalf?

Mr Moran—I cannot comment for other agencies but the negotiations for the Department of Health and Aged Care were conducted by, overwhelmingly, officers of the Department of Health and Aged Care, and clearly officers of OASITO were present during most of that process. There were, to my knowledge, no one-on-one negotiations between the department of finance or OASITO and any of the bidders.

Mr Podger—I hasten to say that the Health Insurance Commission were very much involved in all those negotiations.

Senator LUNDY—I will be asking them some more questions. We have dealt at length with some of the more controversial aspects of those final stages of the negotiation. Is it possible that one layer of technology refresh—that is a periodic renewal of, say, the desktop hardware—could have been dropped without your knowledge or indeed dropped from another aspect of the health group contract, not in the department of health but from one of the other participants in the health group? Is that feasible or would you know about it?

Mr Moran—It is so unlikely that I would be confident in saying I would know about it. It would imply some very underhand dealings by those people responsible, if they were responsible. I think it is highly unlikely.

Mr Podger—Can we check that out? I would be very surprised. In the health group arrangement while the contracts are linked they are actually a separate contract that we have with IBM, HIC has with IBM and Medibank Private has with IBM. I have spoken only of the health and aged care contract—

Senator LUNDY—That is why I am asking: would you be aware if such a manipulation had occurred in other aspects of the health group contract?

Mr Podger—I would have thought we would have been aware. The arrangements were very integrated in the processes. The final negotiation and signing of the contracts were done with a degree of separateness between the agencies but the final signing was actually all the contracts at once, so it was very closely linked all the way through. We have got the HIC people here as well.

Senator LUNDY—No doubt you have just heard the series of questions we have asked the department of health. Is the Health Insurance Commission able to shed any light on this issue or are you aware of any technology refreshers being dropped in the final stages of the contract negotiations?

Dr Harmer—I did hear the question, Senator. The Health Insurance Commission did not substantially change its specifications at any stage at the beginning or the end. We had very specific requirements and we held them right through.

Senator LUNDY—You said that there were no substantial changes. Can you describe perhaps the changes that did occur?

Dr Harmer—I would have to take that on notice. My experts will be able to inform me. I will give you an answer to that. It is quite likely that some minor things would have changed as we negotiated, but I do not believe anything major.

Senator LUNDY—While you are here, perhaps I can ask a question of both the department and HIC. In terms of the minister's claimed savings of the \$54 million attributable to the health group, I note with interest that the department of health have said in their annual report that net savings are not defined at an agency level, given the process for implementation of the initiative. I want to ask both of you: what is the component of savings—what part of the \$54 million—that each of you is supposed to deliver over the five years? I am presuming whatever is left over is attributed to Medibank Private.

Dr Harmer—Senator, I am just being shown a table by my colleague here which certainly adds up to \$54 million. It is not a table that I have with me. It is likely to be correct. But I would like to give you the answer and then, again, if it is not the correct answer when I go back to my experts in the Health Insurance Commission I will let you know.

Senator LUNDY—Certainly.

Dr Harmer—The answer is \$37.41 million for the HIC over five years.

Mr Podger—As we always emphasise, a large part of any of these numbers is that competitive neutrality rather than the money that comes directly out of our direct costs.

Senator LUNDY—And what about Health?

Mr Moran—The figure is \$16.75 million, Senator.

Senator LUNDY—That leaves about \$6 million for Medibank Private—no, about \$10 million.

Mr Moran—No, those two figures should total \$54.16 million.

Senator LUNDY—Sorry, you are quite right. In terms of that statement in the annual report of the department of health, what do you mean by 'Net savings are not defined at an agency level'?

Mr Moran—I did not write it, but I imagine what it meant was precisely as you have alluded, that the process had the health group going to the market as a group, the evaluation was largely done as a group, and the savings were declared and announced by the Minister for Finance and Administration as a group and were not—and as far as I know have never been—individually identified to departments by the minister for finance.

Senator LUNDY—But surely you have made that assessment, because you would have had to provide the advice to the minister, because it is relative to your benchmark costs, as to what those savings outcomes would be.

Mr Moran—Sure.

Mr Podger—There are a couple of elements to this, Senator. As Mr Moran has explained, the negotiation and the tender competition was all around the group. The various tenders and their impact on each of the agencies was quite different. While the original Finance views of how much ought to be taken out in advance was based on a broad view of what they thought would occur, in fact there was quite a range of differences. If we had gone with any one of the companies the thing would have set out rather differently. What we can do is say now in broad terms how the winning contract would appear likely to impact on us but, having said that, it is still too early days to be sure. All of that was based on projections of activities and everything else and we will take some time before we can be sure whether the figures end up close or a long way from what Finance had presumed.

Senator LUNDY—When the minister stands up and says you are going to save \$54 million, you, as part of the health group, have no mechanism or are not in a position to substantiate it?

Mr Podger—We can say that we were a party to that process and that, based on various assumptions made at that time, that seemed to be a reasonable way of looking at it, a substantial part of which was the competitive neutrality part. But all of these things were based on a range of assumptions, including activity levels and so on, and that is going to be something which will emerge over time.

Senator LUNDY—Excuse me for paraphrasing what you are saying, but that is a really long way of saying that if everything stayed the same as it was when you made those assessments, then there is a possibility the savings will not be achieved. But the qualifier you are putting in there is that if there is any change to your operations—that is, getting services online or implementing new technologies perhaps that you had not thought of at the time—then you are unlikely to achieve those bottom line savings.

Mr Podger—I did not mean to imply in quite the way you have phrased it. The nature of the contracts set prices for the services, including if the services change and the volumes change and so on. All I am saying is that there was a process, which we were a party to and the HIC were a party to, around that \$54 million as an estimate. But to talk in terms of that being absolutely exactly realised in that way is not quite the way of the world; it will be somewhat different. There are also going to be some things in our experience—

Senator LUNDY—Does ‘somewhat different’ mean more or less? Are you going to be in the red or in the black?

Mr Podger—Arguably, if all our volumes go up and the unit prices are a bit lower than they might otherwise have been, one could argue that the savings are more off a bigger base.

Senator LUNDY—That is not a bottom line saving, is it?

Mr Podger—It is not a bottom line saving.

Senator LUNDY—It was never going to be a bottom line saving, was it?

Mr Podger—I am not too sure that that is a question one can answer yes or no to.

Senator LUNDY—You are allowed to say no, because just about every other department has. They have acknowledged now, and it is common knowledge, that the savings the minister has always referred to are not bottom line savings. That qualifier came in in about late 1998.

Mr Podger—No, I am sounding as if I am hedging because that was not the way I was phrasing my answer. They are not bottom line in that the whole lot of them are to do with

competitive neutrality and therefore are not on our budget sites. That part of it which is associated with our budgets is based on a series of assumptions. Those assumptions, like any assumptions, will not actually be reality, so again in that sense they are not bottom line. But I do not want you to imply that therefore there will not be savings there. We are very conscious of a lot of the risks about delivering on those savings.

Senator LUNDY—Can you tell me whether you have achieved your break-even point with respect to the loss of \$3 million per annum?

Mr Podger—We have not at this stage.

Senator LUNDY—When do you expect to?

Mr Podger—It is too early to be sure about all of that, too. We are still in the process of our first payments to IBM, so we do not really have a track record to go on. That is why we cannot talk in terms of meeting that \$3 million at this point.

Senator LUNDY—Can I ask HIC the same question: where are you in terms of the break-even point on your budget reductions as opposed to your supposed savings?

Dr Harmer—Senator, we are still within the first year. IBM GSA only took over our infrastructure on 31 March, so it is seven months in. It is much too early in a five-year contract to give estimates of the likely savings over five years.

Senator LUNDY—What about in the first year with reference to your budget cut in anticipation of savings?

Dr Harmer—I think we are probably in line with estimates in the first year. I think that would be fair.

Senator LUNDY—Have either of you found any reason to apply what is called a service credit, which is in fact a financial penalty, on your outsourcer?

Dr Harmer—We certainly have already.

Senator LUNDY—To what value?

Dr Harmer—Over \$200,000.

Senator LUNDY—For what reason? What was the contract failure?

Dr Harmer—For an unexpected outage—I think on 18 April.

Senator LUNDY—How long did that outage last?

Dr Harmer—Twenty hours approximately.

Senator LUNDY—That is a long time for the system to be down.

Dr Harmer—A long time, Senator, yes.

Senator LUNDY—What about Health?

Mr Moran—We have not applied any service credits because it is the case that we handed over later—it was 9 June. IBM is still working with us to deliver what we would regard as a fully substantiated invoice for its first period of service. I have not applied any service credits because we have not paid them anything yet.

Senator LUNDY—Have you had any problems that could possibly equate to a service credit or a financial penalty?

Mr Moran—It is likely to be the case that service credits could be payable for some of the services that IBM delivered in the very early stages of the handover, but until we have a fully

substantiated invoice and we have been through the process of checking both their invoices and their service level reports, I certainly could not put any figure on it, nor in fact could I be absolutely certain that we will apply them, only that it is likely that they could be payable—not necessarily, but they would be applied.

Senator LUNDY—With the contracts generally, Minister Fahey has put out at least one public statement saying how much this particular contract boosts small and medium businesses. Are you familiar with the industry development requirements that form part of your contract with IBM GSA?

Mr Moran—Only in the very broad sense. I am not responsible for administering those, other than generally reporting on significant changes. In the case of Health, if one of the major subcontractors was withdrawn or replaced by IBM, then I have a role there. But generally, no.

Dr Harmer—I have no further detailed information, Senator.

Senator LUNDY—Do you just have a reporting process to the Department of Communications, IT and the Arts, who monitor the industry development aspect?

Mr Moran—Yes, in respect of the service delivery.

Mr Podger—They handle the industry part of the client agreement.

Senator LUNDY—Yes, I appreciate that. I am trying to find out to what extent your department is involved in that process. Are you able to advise me of the proportion of work that has been contracted to Australian companies as subcontractors of IBM GSA, or any of those details?

Mr Moran—No.

Senator LUNDY—The Australian National Audit Office reported on a range of things, which I do not have time to go through in detail now, as much as I would like to. One of the more concerning areas relates to privacy. I have asked departments questions along these lines before. Of particular concern are the findings of the Audit Office report that in fact there were inadequate processes and strategies in place for determining to what degree privacy is protected. Can both the department and HIC advise me as to your treatment of those privacy issues in the context of the ANAO's findings and any further issues that you have dealt with as a department or an agency?

Dr Harmer—As you can imagine when you are dealing with health information from Medicare and PBS, privacy is now and has always been the No. 1 issue for the Health Insurance Commission in dealing with its staff who have access to personal files. We have very strict guidelines about access to individual files. Those guidelines, as I understand it, have been adopted by people in IBM GSA who are now working on our behalf in the infrastructure, and the same sorts of conditions apply there.

One of the things we made very clear to the bidders when we were evaluating this was just how important the protection of privacy was to the Health Insurance Commission. We reiterated to them that anyone who in an authorised or unnecessary way accesses files gets sacked from the HIC. We have methods of checking whether people are accessing inappropriately and we take this very seriously. There is a screen saver which reminds people of all those sorts of things as they log on.

Mr Moran—In respect of Health, Senator, I did in fact send you the last time the formal requirements.

Senator LUNDY—Yes, thank you for that.

Mr Moran—In addition to that—and I am not sure if that was included—we do require IBM GSA people to sign confidentiality agreements and to abide by all of our internal policies, as well as their contractual requirements. The IT security adviser in the department has, I guess it is fair to say, a very intrusive monitoring role in terms of IBM's compliance with its requirements, and there has been, to my knowledge in her work, no breach. It is also the case that one of the reasons for the formal acceptance of IBM, one of the major reasons why that has not yet occurred, is that we are still working with IBM to finalise a very stringent and rigid set of operating guidelines and procedures to underpin the contractual and legislative requirements.

Senator LUNDY—I have one final question for Mr Podger, if that is all right, Chair.

CHAIR—Yes, and Mr Wells wants to clarify a question.

Senator LUNDY—This is a general question in light of the Australian National Audit Office report into the IT outsourcing initiative. What comes to mind are the statements made recently by Max Moore-Wilton about the appropriateness of the mandatory nature of the IT outsourcing program. Given that Health was roped into that program at quite an early stage and has suffered budget cuts in the lead-up to the actual outsourcing, if Health had the opportunity to manage their outsourcing differently, would you have done so had it not been such a mandatory process?

Mr Podger—I am reluctant to go too far into that here. Minister Fahey set up a review and I have received an initial letter from Mr Humphrey asking to see me or my officers shortly on that. I intend to go through that with him very frankly. I will say one or two things briefly here. When we went through the process, the health cluster was able to convince OASITO very early on that it wanted to be the health cluster; that we had an arrangement where we linked HIC and ourselves as a cluster, which meant that we were able to look at this very much as a common health business issue. That gave us considerable advantage in the process.

Secondly, as we went through the HIC processes, particularly with my colleague Dr Harmer—I am on the board of the HIC as well—we received some independent advice on the scope of the stuff that was being put out for outsourcing and got comfort from that independent advice that the scope was about right. I think it is fair to say that we probably would have been a little bit different in our timing had we done it entirely on our own. That said, I am sure that if there had not been some pressure from the centre, a lot of people would have been very slow in getting on with this business.

Senator LUNDY—Do you intend to make a submission to the Humphrey inquiry?

Mr Podger—I intend to provide comments, whether it be a written submission or some other form of providing my advice, yes.

Senator LUNDY—Thank you.

CHAIR—Mr Wells, you wanted to clarify an earlier answer.

Mr Wells—Earlier I took on notice a question about the number of states which had provided plans under the quality clauses of the health care agreements. The answer to that question is that there are, in fact, three finalised plans we have received from Western Australia, Queensland and South Australia. In addition, we have draft plans—that is, they are not yet approved by the respective ministers—from Victoria and New South Wales. The remaining three jurisdictions undertook at a meeting we had with the states on 9 November to use their best endeavours to get their plans in by December 2000.

CHAIR—Thank you, Mr Wells. Yes, Mr Tomkins?

Mr Tomkins—Senator Crowley raised an issue earlier in the day about email correspondence. Through you, Madam Chair, I do have details for her and I am happy to table that, should that be your wish.

Senator CROWLEY—It being the time it is, I will take the tabled answer. If there is anything further from that, I will get back to you. Thank you very much.

CHAIR—Thank you, Minister, Mr Podger and all the officers of Health and Aged Care.

Proceedings suspended from 6.07 p.m. to 7.10 p.m.

FAMILY AND COMMUNITY SERVICES PORTFOLIO

In Attendance

Senator Newman, Minister for Family and Community Services

Department of Family and Community Services

Executive

Mr Wayne Jackson, Deputy Secretary

Mr Jeff Whalan, Deputy Secretary

Kerry Flanagan, Executive Director, Community and Locational

Virginia Mudie, Executive Director, Partnership Framework

Robyn McKay, Executive Director, Family Capabilities

David Kalisch, Executive Director, Economic and Social Participation

Helen Fleming, Chief Legal Adviser

David Tune, Executive Director, Strategic Framework and Coordination

Barry Wight, Executive Director, Corporate Facilities and Services

Cathy Argall, General Manager, Child Support Agency

Sheila Bird, Assistant General Manager, Child Support Agency

Trevor Sutton, Assistant General Manager, Child Support Agency

Alex Dolan, Assistant Secretary, Budget Development

Bob Holbert, Acting Assistant Secretary, International

Tricia Rushton, Assistant Secretary, Community

Alison Smith, Acting Assistant Secretary, Housing

Keith Henry, Assistant Secretary, Family and Children

Jeff Pople, Assistant Secretary, Family Assistance Office Unit

John Powlay, Assistant Secretary, Child Care Benefits

Andrew Hersovitch, Assistant Secretary, Office of Disability Policy

Jenny Bourne, Assistant Secretary, Youth and Students

Judy Raymond, Assistant Secretary, Risk, Audit and Compliance

Jeremy Nott, Assistant Secretary, Family Relationships

Joan Corbett, Assistant Secretary, Child Care Services

Richard Lansdowne, Assistant Secretary, Information Strategies

Margaret Carmody, Assistant Secretary, Disability Service Reforms

Gwenda Prince, Assistant Secretary, Seniors and Means Test

Bev Simpson, Acting Assistant Secretary, People Development and Change

Steve Jennaway, Assistant Secretary, Performance, Ministerial and Public Relations

Richard Lansdowne, Assistant Secretary, Information Strategies

Barry Smith, Assistant Secretary, Disability and Carer Support
Gary Dunn, Acting Assistant Secretary, Partnership and Service Delivery
Tim Youngberry, Acting Assistant Secretary, Corporate Services
Peta Winzar, Assistant Secretary, Parenting Payment and Labour Market
Serena Wilson, Assistant Secretary, Strategic Policy and Analysis

Centrelink**Executive**

Sue Vardon, Chief Executive Officer
Jane Treadwell, Chief Information Officer
Graham Bashford, Acting Deputy Chief Executive Officer, Business
Paul Hickey, Deputy Chief Executive Officer, Business Capability
John Wadeson, General Manager, Business Development and Major Projects
Carolyn Hogg, General Manager, Gateway
Mike Goldstein, General Manager, Contestability and Contracts
VIC Rogers, Chief Auditor and General Manager, Assurance and Assessment
Karen McLennan, Acting Deputy General Manager, Performance Assurance and Evaluation
Rod Gibson, National Manager, Debt Services
Hank Jongen, National Manager, Communication and Marketing
Jenni Colwill, National Manager, People Management
Grant Tidswell, National Manager, Families and Children
Colin Parker, Acting National Manager, Employment Services
Peta Fitzgibbon, National Manager, Youth and Students
Trisha Moran, National Manager, Business Pricing and Support Operations
Brian Pacey, National Manager, Detection and Review
Ray White, Acting National Manager, Detection and Review
Margaret Kilpatrick, National Manager, Retirement
Peter Rock, National Manager, Multicultural Services
Peter Bickerton, National Manager, Infrastructure Services/Network 2000
Olga Fijalkowski, National Manager, Infrastructure Services
Denis Bayada, National Manager, Families Tax Reform IT Project
Luke Woolmer, National Manager, Relationship and Demand Management
Peter Fisher, National Manager, Disability and Carers
Marcia Williams, National Manager, Rural and Housing
John Gibbon, Manager, Customer Obligations
Dean Church, Manager, Youth and Students
Danny Freedman, Manager, Recovery and Compensation
Christine Hagan, Area Manager, Centrelink Call
Allan Gaukroger, Chief Finance Officer

CHAIR—The committee is considering Family and Community Services. The committee has before it a list of the outcomes relating to matters which senators have indicated that they wish to raise at this hearing. I welcome the minister, Senator Jocelyn Newman, and departmental deputy secretaries—Mr Whalan, Mr Jackson and Ms Vardon, the Chief Executive Officer of Centrelink—and of course officers of the Department of Family and Community Services and Centrelink. Minister, do you wish to make an opening statement?

Senator Newman—No, Madam Chair.

Centrelink

Senator WEST—Has Centrelink received any instructions from the Department of Finance and Administration with respect to tendering processes for outsourcing of IT or outsourcing of any of the processes in your area?

Ms Vardon—Like all agencies and departments, we have been required to examine the potential for corporate services to be outsourced.

Senator WEST—Were there any particular instructions about it? Were your instructions the same as everybody else's or did Centrelink get a different set of instructions?

Ms Vardon—No, our instructions are the same as everybody else's.

Senator WEST—Can you advise what is happening in terms of tendering processes for outsourcing at the present time? Has it ceased, remained the same or increased?

Ms Vardon—Is this in relation to IT?

Senator WEST—IT or any outsourcing will do, but IT in particular.

Mr Goldstein—We are doing about the same amount of outsourcing we have always done. Where we see a particular function which makes good sense to market test, we market test it to see if it is appropriate to outsource it.

Senator WEST—How much are you outsourcing?

Mr Goldstein—At the moment, we have legal services outsourced. That has been the case for years and years. Property management is outsourced. That was the case before Centrelink started, as was legal services. We are currently in the market for paper and stationery supplies and management. Printing and logistics are outsourced. Our travel management and travel arrangements are outsourced. Those are the main ones I guess. We have not outsourced any other corporate stuff at the moment.

Senator WEST—I suppose for a lot of departments you are actually a source of outsourcing, aren't you?

Mr Goldstein—In one sense.

Senator WEST—I turn to waiting periods. There have been comments in the media of recent times about increased referrals and lengths of waiting times. Is it possible for you to give us a breakdown of waiting times taken to process new claims, the payment type and the Centrelink office and region?

Ms Vardon—We can give you the chart of that tonight. If you give me one moment, I will get the answer. To confirm that question, you asked about the waiting time for a new claim—

Senator WEST—Yes, by payment type such as Newstart and youth allowance.

Ms Vardon—I can give it to you by three payment types, and 17 November is the day we took this snapshot. Customers could get a new claim appointment with Centrelink within three days in just over 90 per cent of offices for families, nearly 83 per cent for retirement services and 62 per cent for employment. Very quickly, after about four or five days, the bulk of the appointments are satisfied.

Senator WEST—Are there some offices doing better than others?

Ms Vardon—We do a weekly monitor of offices. If we find that an office has blown out, we contact that office to find out why and to see if it needs extra resources or whether it is a point in time problem that it is having.

Senator WEST—Is it possible to take that on notice and give us a breakdown, because I am interested in what those times are varying from office to office and region to region?

Ms Vardon—I have them by area. If I give them to you by area, will that be satisfactory?

Senator WEST—Yes.

Ms Vardon—It might be better if I table this, because I have a chart which looks at average appointment wait times per period for 27/10, 3/11, 10/11 and 17/11.

Senator WEST—It would be great if you can table that. That would be wonderful.

Ms Vardon—I will table it then.

Senator WEST—You say the average is 90 per cent, but obviously there are some that are less than that and some that are longer than that. What is the distribution, and I am thinking in terms of rapid distribution, of—

Ms Vardon—It is like the normal curve. Some offices see everybody immediately. There is a long tail from time to time, depending on whether it is a little local regional office or if it is a particularly busy time. There is also a seasonal issue.

Senator WEST—In relation to these employment appointments, only 62 per cent are seen within three days. What is that distribution? When would they have seen 75 per cent?

Ms Vardon—The Friday after that could have been quite different. To give you an answer, I think I had better take the question on notice.

Senator WEST—The reason I am prompted to ask these questions is the recent media comment by St Vincent de Paul and reports that it receives increased referrals from Centrelink, including cases where people have to wait to go for their interview. No payment is made until the interview is conducted. Sure, they can get paid from the day they lodge, but that does not help them exist from the date of lodgment to the date processing started.

Mr Bashford—Under those circumstances, if there is hardship they can get money under emergency arrangements on day one. But obviously there are some offices where they cannot get an appointment for some time. The average wait time across the whole of our offices is 2.3 days. Some 98 per cent of offices are less than 10 days.

Ms Vardon—We also have a capacity to provide emergency appointments the same day if someone is in dire straits.

Senator WEST—But if you have an office that has a 10-day waiting period, it is going to be rather hard pushed to be able to provide urgent assessment because it is going to be in a state of being swamped because it already has that 10-day waiting list.

Mr Bashford—We make arrangements so that there are small opportunities for emergency type appointments.

Senator WEST—How many emergency type appointments are you undertaking?

Mr Wadeson—I take you back to the waiting times. The wait times you have talked about are the times between when people call in and when the appointment is set up. Officers keep what is called a profile for the staff that is up on the system. However, we require all officers

to keep appointments open in the office for people who come in who are in hardship. It is a requirement that if someone comes in and they are in hardship, we deal with them on the day.

Senator WEST—How do you assess that they are in hardship?

Mr Wadeson—There are various rules that have been around. I am not sure there is a set of national guidelines, but there are various guidelines that talk about how much income they have on hand and so on and so forth. Generally it is a discretion, but it is a case of what the circumstances are. They are required to keep open a number of appointments for these sorts of purposes.

Senator CROWLEY—How many?

Mr Wadeson—We would always hope they have got enough. We do not get reports of people who say, ‘I came in and I was not dealt with.’ Usually the officer has made an assessment of the circumstances. This is done every day. We make, I think, 5,000 urgent payments a week. So the volume of urgent payments, dealing with people in these sorts of circumstances, is quite large.

Ms Vardon—There is a difference, if I could say, between someone being seen immediately and someone putting in a new claim. A new claim takes quite a long time to do, because there needs to be a preparing for work agreement and other things. There is a differentiation. It is a new claim that people may wait for—not an emergency, immediate assessment.

Senator WEST—It is the new claims I am talking about.

Senator DENMAN—Is there a procedure if the same client comes in for an emergency payment more than once?

Mr Wadeson—Yes, if they are after particularly an emergency payment. Certainly if they have a record for asking, that will mean that they will be looked at, because the criteria for emergency payments are that the circumstances should be unforeseen. For people who have repeats of unforeseen circumstances this can be an issue, and it might be something that people would look at in terms of making that decision.

Senator WEST—The group I am interested in is this group that St Vincent de Paul say they are seeing in increasing numbers in certain areas because there is that length of time that people are having to wait to get assessed. In fact, as I recall, one of the prominent media stories, as I recall, claimed that it was Centrelink officials who were actually sending them to St Vincent de Paul.

Ms Vardon—There are a number of things there. I am sure John Wadeson will want to talk about it. There is a celebrated case, which I have discussed with St Vincent de Paul and others, about the referral that said that due to staffing constraints this was so. Actually, we did a computer run and found that there was only one letter of that kind. It related to our Cooma office. Before, Centrelink had a visiting service for two days a week. We have built it up significantly to a five-person, five-day-a-week service. There was a point when they were very busy; that is why I referred earlier to seasonal issues. There were some staffing problems and somebody wanted to get out of town fairly quickly. Under those circumstances, we were not able to help because that office at that time had a problem for that particular issue. We have sent in relief from Goulburn to help. I think that demonstrates that as a general rule it is not staffing issues that are stopping people getting help. It is that there are people who need help other than what we have—emergency assistance; that is, additional housing and so on,

and sometimes food. We are not set up to be able to do all of these things that St Vincent de Paul does.

Senator WEST—I am actually talking about payments being processed immediately.

Mr Wadeson—I have now been given the definition we use for financial hardship. A person is considered to be in severe financial hardship if the value of their liquid assets is less than one fortnight's payment at the maximum rate.

Senator WEST—And are they asked these questions when they go in to make an appointment?

Mr Wadeson—If they come in and say, 'I am in hardship circumstances. I need money immediately', that is the question they would be asked in helping make that assessment. I should stress that there is a lot of discretion in this area. We rely on people to make a judgment in the circumstances, based on the complete range of the person's circumstances. I make a comment about the new claim interview in terms of someone coming in for Newstart. Even if they were interviewed on the first day after they came in, if there is a one-week waiting period their payment still would not occur until two weeks after that. The cycle is such that, from the time they come in, they really do not get their first payment for three weeks. Irrespective of where we interview them in that period, the payment date is still fixed by legislation, unless there is hardship and we go for these sorts of advance payments or other circumstances.

Senator WEST—There is a difference between having to wait three weeks and four weeks as well, or in this case possibly an extra 10 days.

Mr Wadeson—We have very few offices that would ever be delaying a payment like that. It would be very unusual circumstances.

Senator WEST—We are talking about people who are quite literally on the breadline on occasions. Have there been changes to emergency payments?

Ms Vardon—On 1 July last year we took a firmer line on some emergency payments. Because of the pay cycle procedures that have been implemented, people have more capacity to change the date on which they get paid. We also had some concerns, which I have raised here before, about a lot of pressure being put on people to come in and get emergency payments from us to pay off their drug deals. Our officers were surrounded by drug dealers who were harassing and standing over people for emergency payment. With the pay cycle changes and with some of these other issues—and at the request of many non-government agencies, because they were concerned that the instant emergency payments were actually stopping them advising people on how to budget—we took a stronger line about who was eligible. Instead of making 30,000 payments a week, we took that down to about 7,000 payments a week. But there was a greater capacity to move their pension or their benefit to a time that suited them.

Senator WEST—Do you keep figures on the number of referrals made to emergency relief providers?

Ms Vardon—The answer to that is no, not a whole set of figures that cover everybody. The social workers have a particular system whereby they record their referrals, but it is something that we have realised we do not have a good handle on.

Senator GIBBS—How do you know that this is emergency money to pay off drug dealers?

Ms Vardon—Last year it was a very, very serious problem in Centrelink.

Senator GIBBS—So how do you know they are paying off their drug dealers?

Senator Newman—Because they are standing outside the central city offices in particular and are known to the community—the drug dealers—waiting for their prey, if you like.

Ms Vardon—We had to call in undercover police all over Australia to try and do something about the drug deals that were happening inside our offices and outside our offices, and the payoffs. It was a very serious problem and it has almost stopped now.

Senator GIBBS—But when people get an emergency payment, they have to pay it back, don't they? It comes off.

Mr Bashford—Yes. It is deducted from their next fortnightly payment.

Senator GIBBS—The drug dealers actually come with them to Centrelink? Isn't that exposing themselves a bit?

Ms Vardon—I have to say that not very many of them cared about that. We had knife fights in our offices and outside. We had women who were threatened and harassed seeking comfort and shelter inside our place. We had to take people out the back door to protect them from the drug dealers.

Senator GIBBS—What areas are we talking about?

Ms Vardon—All over Australia.

Senator WEST—If that is the case, shouldn't the police be on hand to protect customers who come in?

Ms Vardon—They were, but it was not the sort of image we were trying to create inside our place. We want people to feel safe coming into a Centrelink office.

Senator GIBBS—If somebody came into my office and they were fighting, I would have a couple of cops standing outside to shoo them off. It really would not matter what the image is, surely?

Ms Vardon—It is not about an image on our behalf. We wanted other people—and there are many thousands of people who come into Centrelink offices—to feel safe when they came in. It was a very serious problem for us. We could not have police on stand-by in hundreds of offices around Australia and we were not going to bring in security guards. We felt that was quite the wrong thing. It was much better to take a stand against emergency payments for drugs. In fact, many non-government agencies supported it and requested that we did it.

Senator GIBBS—So these people actually said to you, 'I want this emergency money to pay for my drugs'?

Ms Vardon—No, they did not. They often had other stories.

Senator GIBBS—How do you know that they were paying for drugs? How do you know it was not for food? How do you know it was not for other things?

Ms Vardon—Because we watched them walk out the door and hand—

Senator GIBBS—This is being rather judgmental, isn't it?

Ms Vardon—No, we watched people walk out the door and hand the money over to known characters who were in the drug business. We have a lot of expertise in that. They were judgments that often we would make in conjunction with the police who knew the characters who were outside.

Senator GIBBS—The cops should have been there to pick them up if they knew that. So you say, ‘No.’ And then what happens? They are bashed up because they cannot pay their drug fees?

Ms Vardon—The threats were reduced when it became known that you could not get money from telling a story at Centrelink. We also had another problem and that is that we had an inconsistency. Some of our offices took a stronger stand than others and some offices were seen to be easy. The word went out about those easy offices, I have to say, among the criminal community and so they would drive people to those offices where people were known to be softer. Staff became very concerned. We were very worried about the safety of our staff. It is not something that you can have police standing by all of the time. In fact, the police did not think it was a high priority on occasion.

Senator GIBBS—I find this extraordinary.

Senator WEST—I return to the number of referrals made to emergency relief providers. You cannot give us any figures? You said your statistics were not—

Ms Vardon—I can give you some figures.

Senator WEST—You made a comment earlier that your figures were not reliable.

Ms Vardon—The figures that we gave are the figures we have given the minister. Some years ago, the social workers were the people who did most of the referrals. We took a snapshot every year and we found, using the social work information system, that they made 17,000 referrals in the last year. On the assumption that they make 10 per cent of the referrals, we extrapolated a figure of 170,000, which is a figure that the minister has used on our advice. We think that is a fair figure, but we do not have a better way of capturing information than that.

Senator Newman—Can I just add to that. I think it is a long-term description of this letter as being a referral letter, but in fact that gives connotations that it is expected or required by social security, now Centrelink, that charities provide assistance. It was done by agreement in the seventies between social security, as it was then, and the charities, because they needed some way of knowing somebody’s position or assessment in the eyes of the social security authorities. I am trying to find a word other than ‘referral’. It was a reference that this person is what they say they are.

Mr Bashford—The letter says ‘re: only to identify the customer and his or her circumstances’. It does not imply that the customer has entitlement to assistance from the organisation. It is simply identifying the customer and his or her circumstances at the time.

Ms Vardon—There is a difference between a formal referral, which is one that is accompanied by a letter, and one of our officers making an informal referral, saying that in the community there are these other people who might be able to help, and giving people choices. It is a bit difficult to work out what it is that we are capturing. We do expect our people not just to provide a Centrelink service but to provide good community information to people who come before them. We do think that is part of good service. We do not see that as a negative at all. We also make plenty of referrals to the Job Network. We make plenty of referrals inside our own organisation to JET offices and others. So as the minister said, it is really us confirming a person’s identity and helping them with their request for assistance.

Senator CROWLEY—What leads up to a referral to emergency relief providers?

Mr Bashford—Only when we have exhausted all possible avenues of help by the Commonwealth government.

Ms Vardon—Most of the requests are for food. Most of the referral requests to something like St Vincent de Paul are for food, as it has been for many, many years.

Senator CROWLEY—I am a bit confused about the pattern here. It seems that sometimes clients who come to Centrelink are having to wait, in answer to the first questions that Senator West was asking, for unsatisfactory periods. Those people are stuck for the ready, according to someone whose name I cannot actually recall. One of the answers was that there are people who keep spare appointments to deal with emergencies. Theoretically, everybody who has an emergency need could be dealt with. But we are getting very different anecdotal evidence in the community. I think you are agreeing that, anyhow, quite a lot of people are getting referrals to charities. These are people who may be asking for food or something like that, but they may also be people who are unable to get an interview for a couple more weeks. What are they to do in the meantime?

Senator Newman—But they may be people such as, say, a woman fleeing domestic violence, who comes in. She can be seen quickly and can get a crisis payment. But if she has children she may well need food. Or if she has been locked out and she is on the street, she may need some immediate clothing for them. That is where Centrelink would pay the crisis payment. That would be done through the social worker interview. And arrangements would be made for her future income support. But in the meantime she would need some immediate assistance, which would therefore be the subject of one of these letters, whatever you like to call it, to somebody who can provide other services. It may be crisis accommodation, but it might also be some food or clothing, that sort of thing.

Senator CROWLEY—That is useful; thank you, Minister. The trouble we are having here is trying to work out which is which when it comes to an emergency need. Certainly, if somebody has just got out of DV you would hope that there would be some way in which they could be assisted and the chain might work for them. But we are also concerned about a lot of people who are not victims of domestic violence who may have lost a job and cannot get an interview for a couple of weeks. We have got a lot of evidence. We do not have the numbers. We want you to give us some numbers about the number of referrals. Are they increasing and do you have a breakdown of them? You have told us, Ms Vardon, that social workers used to do those referral letters. Who does them now? Everybody?

Ms Vardon—It is totally logical now. We consider it part of the wider role of the customer service officer to do that. We did not want people to be missing out on referrals. We did not want people just to be dealt with as a payment, yes or no. So we have actually increased the skills of our people so that more people can make the referrals. It is that particular set of figures that we are not able to capture. We would like to capture that, but we cannot give it to our minister and we cannot give it to you. We would like to be able to give it to you.

Senator WEST—Why can't you capture it?

Ms Vardon—We were not required to capture it, basically, so we have not built it into our computer system to count the letters as they come out. But we do have a capacity to negotiate with FACS to capture the letters.

Senator WEST—So you are therefore not really in a position to know whether there is an increase in the number of referrals to emergency support agencies or not?

Ms Vardon—There is one other thing I want to add, rather than answer that with a yes or no. What we did to try to get some information for Minister Newman is make random sample phone calls. Someone close to me rang all around Australia to find out what was the pattern of referrals—were they going up or they were going down. And it was very interesting—some

places were going up and some places were going down and some places were going steady. So overall we could not say there was a big increase of referrals. So it is very much an area issue. For example, in the metropolitan areas the rents are higher than in rural Australia and so there are different circumstances that affect people.

Senator CROWLEY—Were the increases greater than the decreases?

Ms Vardon—The people who did the work for me who made the phone calls came out and said, ‘There is no consistent pattern at this stage and we are not able to say there was an increase, but there were some places where it went up and some places where it went down.’

Senator WEST—But how can the individual offices and areas capture the figures? If they were capturing the figures, I would have assumed the figures would have gone on to you. So what you were asking for was someone’s gut feeling as to what was going on.

Ms Vardon—Yes.

Senator WEST—You have got a fairly significant turnover of a lot of your staff in these areas. It is a very hit and miss—

Ms Vardon—I do not think so. Firstly, our staffing stability is quite good. There are certainly places where it turns over but we are actually very pleased with the level of stability with our people and, if there is movement, they tend to move inside our organisation anyway. Some of our managers are very wise about what is going on and they talk to their social workers about what is going on and they have a feeling—they have an understanding—of how their offices operate, but it was the best that we could do at the time. Local knowledge is pretty powerful knowledge.

Senator WEST—So it is a subjective assessment?

Ms Vardon—Yes, based on knowledge.

Senator WEST—It is not empirical?

Ms Vardon—No, but it is based on—

Senator WEST—Whereas the reports from the agencies such as St Vincent de Paul, Centrecare, Anglicare, are empirical because they are measuring the number of bodies walking through doors.

Ms Vardon—We have not been able to get that information from them. I have been trying to get it to get an understanding of where it is that we might move in and work more closely with them, but we are not able to get good empirical data. We want to work with those people but I do not believe it is there. In fact, I met with an agency yesterday that was concerned it was not getting enough referrals and I have heard of another agency that has complained it is not getting enough referrals. So I do not think that anybody is in a position to make a significant commentary on the sector without a bit of research.

Senator DENMAN—So you cannot tell us, Ms Vardon, whether the numbers are higher or lower in rural and remote areas or urban areas? Do you have any data that would give us indications there?

Senator WEST—Subjective analysis.

Ms Vardon—On the issues about service, in offices in rural and regional Australia, except for the odd occasion—Cooma comes straight to mind in the ski season, and there have been one or two occasions in Tasmania that I know of where there have been some troubles—as a general rule people can get service straight away.

Senator DENMAN—From St Vincent de Paul? There isn't always one there.

Ms Vardon—No, from Centrelink.

Senator DENMAN—Sorry, I was talking about referrals to the agencies.

Ms Vardon—We are not able to tell you whether they are going up or down in rural Australia.

Senator WEST—Just to recap in my mind, the number of emergency payments made has decreased since 1 July 1999?

Ms Vardon—Yes.

Senator WEST—You have a subjective analysis that you do not think there is any great increase in the number of people or referrals being made to welfare agencies but you do not know.

Ms Vardon—I do not think that anybody can give a definitive answer on that in any part of the sector.

Senator WEST—Are you doing anything to try to capture those figures?

Ms Vardon—We were thinking of talking to FACS—we have actually been doing some talking—about trying to get a handle on it certainly office by office and to look at their relationships that they have with the local community. I spoke to St Vincent de Paul and they said, 'We have very good working relationships with your people all around Australia.' The other agency I spoke to last night was the Smith Family, which said that they had very good relationships with our people all around Australia and they were not complaining about a burden or an overload. I think that some of them were trying to make a point in the middle of a time of social policy debate. We are happy to follow up any information that people give us but it is just not something that we can put our hands on definitively.

Senator WEST—Well, the reports I have seen make no comment about the working relationship between Centrelink and individual offices, between Centrelink individual offices and the welfare individual offices. That is not a point at issue. The point at issue that I am trying to clarify is: do you have empirical data on the number of referrals being made by Centrelink to welfare agencies and the answer to that is no.

Ms Vardon—The empirical data comes from the social work information system which says you have 17,000 at a point over time and the best advice that we can give is that that is about 10 per cent of all the referrals. Now, that is not empirical in the hard line social research, I suppose, if you went out and counted every individual one, but in fact it is not a bad database to work from.

Senator WEST—What was it five years ago? What referral numbers were social workers making—

Ms Vardon—I do not know. I would have to get the answer for you.

Senator WEST—Three years ago when this started—

Ms Vardon—I do not know. I will have to get that information for you. There was a time when social workers were the only people who made the referrals. In fact, it was higher—it is coming back to me. It was higher than the 17,000 some years ago with social workers.

Senator WEST—Because social workers only were making the referrals?

Ms Vardon—Social workers were the only ones making the referrals and if other people were making referrals there was no capturing of it whatsoever and there were no assumptions about that.

Senator CROWLEY—The person from your office who I think you said rang around to try to find out—was it a he or a she?

Ms Vardon—She, Annette Gath was the lady who did it.

Senator CROWLEY—And she spoke to managers of all the centres.

Ms Vardon—I am not sure. I just said, ‘Please do a survey all around Australia so I can get a better handle on it to brief the minister.’ I am not sure whether she spoke to managers everywhere. She spoke to people who knew everywhere.

Senator CROWLEY—And those people were able to say in some cases, ‘The numbers have gone up.’?

Ms Vardon—Yes. In fact, she got the three answers—up, down and no change.

Senator CROWLEY—Did you get any sense of what those people based that on? I mean, nobody is going to say to you, ‘Well, they have gone up. Well, I do not really know but I am just going to say they have gone up.’ They must have had some sense of what was going on in those areas.

Ms Vardon—No, I have not had that depth of conversation with anybody that would give me that.

Senator CROWLEY—Could you provide us with the centres where the answer was it had gone up?

Ms Vardon—I could, certainly.

Senator CROWLEY—And I suppose where it had gone down would be helpful, too, but in particular whether there was any pattern about where they went up on this claimed evidence and by how much. Some might say, ‘Well, it has drifted up a little bit,’ but others might say, ‘Whoopy-do, it is way out of the ballpark.’ If you could say, ‘Here are the slightly gone up, very significantly gone up’ and by area that might help us try to match that with the stories we are getting about the pressure on charities.

Senator Newman—You can picture, can’t you, that areas could change. Say you are taking five years. There has been a substantial growth of drug addiction in one particular area and therefore you might find it going up. You might, on the other hand, have had a community that five years ago was going through businesses closing down and a lot of people were retrenched and there was a great demand at that time for immediate assistance of one kind or another, and that that community is now much better off with more jobs available and people in work and so therefore the demand there would have dropped off. I think there would be 101 reasons why some will say it has gone down and some will say it has gone up; we are only trying to feel our way through that, too.

Senator CROWLEY—That is actually even better than I asked, Minister, but I accept that. If you can actually give us—

Senator Newman—I do not know that they can give you—I am just sitting here listening like you are and trying to think of some of the things that would be behind people saying ‘up’ or ‘down’ or ‘stay the same’.

Senator CROWLEY—I think that is very useful.

Senator WEST—You said that since 1 July 1999 there has been a drop in the number of emergency payments made.

Ms Vardon—Yes.

Senator WEST—This is the up to \$500 advance. Can you give us some idea of the numbers being paid out now per week?

Ms Vardon—No, it is not the \$500 advance. There is a series of emergency payments that we can make depending on a person's circumstances. There are crisis payments, which were introduced in 1999 for released prisoners, people forced to leave their homes and for victims of domestic violence. We have a capacity to give people lump sum advances for significant purchases. They are people who are known to us, who have been in receipt of pay. There are specific payments—not necessarily emergency payments—like disaster relief, special employment advance, employment and education entry payments, and maternity and immunisation allowances. Then there is the special benefit which, depending on available funds and eligibility to other payments, we can give to people. That is a special one we have discussed here many times. There is something called hardship advances, which were introduced by the government this year in relation to first instalments of the pension or a benefit to address hardship that would occur if they were required to wait for a first payment. There are urgent payments, also known as immediate or early payments.

Senator WEST—How many are you paying out on those?

Ms Vardon—The payments that we tightened up on were the emergency urgent payments. On 1 July we were issuing 30,000 EBTs, as we call them, a week. We are now issuing 7,000 a week. But the point that I also need to add is that people now have a greater capacity to change the day on which they receive their payment from us. So we can actually change the payment rather than give them an emergency payment. So there is another additional benefit that has been brought into the system.

Senator WEST—I do not want to appear thick, but can you tell me how changing their payment date is going to actually relieve their financial distress?

Ms Vardon—Mr Wadson introduced this system. So I will let him explain it.

Mr Wadson—If, for example, you were on a regular fortnightly cycle and your next payday is two weeks away, in theory you could bring that payday forward by a matter of days. That is going to put you on a different cycle and you are going to get a part payment, but you will get it earlier. It is a way in which you can give people early assistance, but it is not widely used. The most common form of this assistance is the electronic benefits transfers, or EBTs, which can be for any number of days. Usually people will be seeking these things for one or two days to get them through to the next payday. Therefore, the amounts are variable, and we are issuing about 7,000 of these. I should say that, if you go back before we had electronic benefits transfers, we used to issue around 5,000 cheques as emergency payments.

Senator WEST—I remember those cheques.

Mr Wadson—We then switched to the electronic benefits transfer. Then we saw this spiralling number, and we reached a figure of around 30,000. It was that that we sought to bring under control. Initially it came down to around 5,000 to 6,000, and it is running at present at around 7,000 a week. But we do monitor it quite closely. It is an indicator for us of what the state of office is at times.

Senator CROWLEY—I am pursuing the same line of thinking as Senator West here, I hope. I am a single mum and I am trying to make do. I am short of the ready and I pop in to

see you and you say, 'Well, you're not really due for your next pay till Friday, but I tell you what, we can fix things by giving you your pay today.' Now, am I in hock for four days? Do I have to pay out? Are you going to be accumulating all the days I owe you till the end of my life?

Mr Wadeson—No.

Senator CROWLEY—Are you docking my amount per day? When are you going to get that back? I have never known you to give me a gift for nothing. I want to know how you are going to get it back.

Mr Wadeson—You can rest assured that you do not get paid for any more days in the process. But you could perhaps be paid for the days in the fortnight that you have already accrued. For example, if you came in and it was one week since your last payday, in theory we could make tomorrow your payday and you would get paid six days worth, which would be paid into your account that night. Remember this is a key difference here in terms of urgent circumstances. The method for all those payments is direct credit overnight, so the money is not available till the next day. If, however, you need money today, which is I think the circumstances you are generally talking about, then we have to generate what we call an urgent payment, which is—

Senator CROWLEY—Every time I ask the question thinking I understand exactly what I was asking about, you give me such a comprehensive answer that I am in another country. Just slow down. I am just trying to deal with these people who are getting their emergency problems solved by getting their payday changed. I am terribly excited about this. How often can I do this? Can I actually bring myself forward a whole year?

Mr Wadeson—No, you cannot be paid in advance, if you like. It could only be for days which you have, if you like, already been in the system. So if, for example, you are one week into your payment, you could in theory make tomorrow your payday in which case you would be paid for six days and then you are on a new cycle. Your next payday is going to be 14 days away, but you have a six-day payment that you will pick up in your bank account tomorrow.

Senator TCHEN—So you never get more days, but you might get some advance payment.

Mr Wadeson—The reality of it is that most of these people want the money today for a particular reason—they have a bill to pay. That means that that method is not the one that would be used. You would normally use an electronic benefits transfer by which they can go and get cash and pay the bill immediately.

Senator CROWLEY—Are you happy with that, Senator West? Are you and I clear now? I tell you what, I am certainly not, but thank you very much for that effort, Mr Wadeson. If you would like to explain it to me in correspondence, I will accept that, too. I need to know how it works. I do not pretend that I understand it. I still want to know when you will get it back from me.

Senator WEST—Can I ask about mobile review teams? What is their role? Can you describe their role, please?

Ms Vardon—Mobile review teams have changed over the last little while. In fact, we have moved out of lots of mobile review teams and we have incorporated a bigger review effort for compliance. That allows people to go out and talk to people or to investigate some other way. We did not know that there was a lot of value in continuing mobile review teams that just went around by car checking out people's slippers under the bed and things like that. There were better ways of doing compliance, including data matching and broad based reviews

across payments. But there are occasions when the people use their car to go out and investigate. That high level of investigation that people used to do often now goes out to the private investigators. We still have a capacity for people to go out by car, but we use more sophisticated methods.

Senator WEST—That is very handy, isn't it? So the role of mobile review teams has actually changed?

Ms Vardon—Yes, the notion of a mobile review team is diminishing inside our organisation as we set up broader based compliance and review teams.

Senator WEST—So you think the other methods are more effective?

Ms Vardon—They are. Mobile review teams were effective for a smaller group of people. But we are getting better at data matching and other things so we can pick up more people than the two or three people who might have been in the mobile review team. It was just a better investment in humankind.

Senator WEST—How much do you see you making of private investigators instead of the mobile review teams?

Mr White—In terms of that, it is a case of where we have gone through our traditional means of investigation in relation to those cases that we feel need surveillance as a tool to help us finalise the case one way or the other. We then use that as the vehicle for finalising that particular case load. In terms of percentages, we have probably done, I think, around 1,900-odd cases in the last year or so with surveillance operators. The volume in terms of that is very small.

Senator WEST—How long have you been using private investigators?

Mr White—We have been using private investigators since late October 1999, fully implemented across Australia. We had a pilot prior to that.

Senator CROWLEY—What criteria brings a private surveillance person into effect?

Mr White—For that decision we have quite comprehensive guidelines within Centrelink about when a case should be referred to the surveillance operatives. There are dedicated surveillance managers within each of the areas in Centrelink that will determine whether a case goes—

Senator CROWLEY—Just give us a couple of examples of when you reckon what you have done with your data matching gives enough time to get the surveillance team in. What is the biggest reason for when you call them in?

Mr White—A lot of it is to do with undeclared income from cash from employment where we may have had numerous tip-offs from the public over a period of time about a particular person. The normal processes there would be that we have sent out forms to say 'Has that person been employed by you as a particular employer?' Back comes information to say, 'No, they don't. They are not employed here under that particular name.' We feel that, based on the evidence, the previous review history, the amount of tip-offs and so forth that may have occurred, that those people are at risk still of incorrect payment. We then think that there is a prima facie case, if you like, that we should investigate that further and we would then use surveillance in that area.

Senator WEST—What I am after is: in June of last year, how many mobile review teams were there and how many people were employed on mobile review teams? At present what is the number of the review teams and how many people are employed?

Ms Vardon—We are happy to give you that information, but if you want to look at the compliance effort, you will not capture it with that question.

Senator WEST—What would I capture it with?

Ms Vardon—You would capture it with how many people are doing compliance and review work last year and this year, including mobile review teams.

Senator WEST—Have those people who used to be on mobile review teams gone into other areas of compliance detection?

Mr White—Generally, yes.

Senator WEST—How many have not?

Mr White—I would not be at liberty to say. I would not know off the top of my head, sorry.

Senator WEST—What savings have been generated from the other methods of data collection and detection work as opposed to the savings that the mobile review teams cost—I am thinking in terms of the cost effectiveness. How much is it costing you to make the savings that you are generating by the other methods and how do these savings compare to the overheads and salaries of the mobile review teams?

Ms Vardon—We will have to take that question on notice, but the mobile review teams, in our terms today, would be fairly cost ineffective because small numbers of people with high-intensive work might pick two or three people up when someone doing compliance reviews all day might do 100.

Senator WEST—It is very difficult to measure apples with apples then because somebody who is on a mobile review team—this is the same with the PIs—is actually, presumably, doing the long hard hours to get a detection and no number of people sitting in data cross-matching will have that same effect.

Ms Vardon—They are not all the things that the compliance review teams do. They make a lot of phone calls. I could get Ray White to give you a longer answer on that or I could try to give you the best answer that we can to the question that you have asked, if I take it on notice.

Mr Bashford—But the short answer to the question about whether the effectiveness is the same is yes, it is. We are still maintaining that same level of detection in terms of recovery of fraud and whatever. We have probably reduced cost. So we are running a more efficient service.

Senator WEST—You will probably need to take this on notice, too. What is the current MRT staffing region by region?

Ms Vardon—We can answer that. There will not be very many of them.

Senator WEST—No, obviously.

Ms Vardon—Because they are part of teams.

Senator WEST—But I am interested in knowing what those teams were also in region by region in previous years. Are there any hot-spot areas that they have moved out of?

Mr Bashford—We can probably provide that on an area-by-area basis, because they operate from areas rather than regions. We will get that information.

Senator WEST—Can you describe your employer contact services—what facilities are included and available in every office?

Ms Vardon—We have an employer contact unit—a national one—in Tasmania, which provides extensive information to employers.

Senator WEST—I mean employees. It is the facilities that you have set up to assist job seekers in their search for work—telephone, fax.

Ms Vardon—There are self-help facilities inside our customer service centres. How many do we have?

Senator WEST—Yes.

Ms Vardon—We have one in every single customer service centre.

Senator WEST—There has been no change of the number of—

Ms Vardon—There are some in rural transaction centres and some with our agents.

Senator Newman—In the community library, in the local school, which was only launched last week.

Senator WEST—There has been no reduction in the number of facilities in those centres?

Ms Vardon—No. In fact, it is very popular service. If we had more money we would make more of those. We would not be touching that.

Senator CROWLEY—Does anyone abuse them?

Ms Vardon—Yes.

Senator CROWLEY—In what way?

Ms Vardon—There has been something that has been developed inside Centrelink called phone rage. There is a phone associated with each of those self-help centres. Not everybody uses the phone to ring employers. We have had an increasing number of frustrated customers who can hear someone else using the phone—they are clearly not ringing for work—and they get mad with them. We do not have a customer service officer standing over each of those areas. They are self-help areas. So from time to time you get frustration with one customer waiting for the other one to get off the phone. But given the large number of people who really use it for employment, this is small. But you asked whether there was abuse and the answer is yes, there is to some extent—people not necessarily using the phones for what they are to be used for. We lose the odd computer. We have computers for people to do their CVs.

Senator WEST—Does it walk or does it get smashed?

Ms Vardon—It gets carried out the door. That is rarer now because we have got them more firmly implanted. But most people are respectful of the facilities.

Senator WEST—Is the phone rage increasing? Is it a problem that you are going to have to address.

Ms Vardon—It is a concern in some areas and we may have to put in a second phone. But many of our officers have worked out how to handle it. There is one office—I will not identify it because I do not want people to know; not that the customers would read *Hansard*—where a customer service officer, when someone is obviously using the phone, just flicks a switch under their desk and the phone disconnects leaving the person looking somewhat bemused. Mostly they leave and then the customer service officer turns it back on again.

Senator WEST—The use of a PIN number type of system would not help overcome that problem? That might identify individual usage patterns as well.

Ms Vardon—No. What we want people to do is to ring employers, or Job Network members. We have tried for a while to work out how we can constrain the phone to do that, but it is not possible. We had a quick look at that once.

Senator CROWLEY—Do you have a separate phone account for each of those phones?

Ms Vardon—We know how much each phone costs. I do not know whether each phone has a separate account, but they are identified on our accounts by their number.

Senator CROWLEY—So you could tell whether Centrelink office X in the heart of Y actually had people who were more likely to make overseas phone call than anywhere else?

Ms Vardon—They cannot make overseas phone calls. They have got a bar on them.

Senator CROWLEY—None of them can make overseas calls?

Ms Vardon—Certainly not that I know of. I would be extremely surprised if one of them slipped through, but they have a bar on them.

Senator CROWLEY—That is useful, because anecdotes have suggested that they were calling other places, including overseas. So it is useful to be able to say, ‘They are all barred against that so you cannot do that.’ You could assure me that all of them are barred against OS calls?

Ms Vardon—You have now worried me.

Mr Bashford—I am pretty sure that they cannot call overseas. They can certainly call interstate.

Senator Newman—Because the touch screens show jobs all around Australia.

Senator WEST—Can I now turn to breaching targets. I understand that Centrelink has business partner agreements with the client agencies.

Ms Vardon—This is true.

Senator WEST—Is it possible to have copies of your BPAs with DEWRSB and FACS?

Ms Vardon—We would have to ask officially, but yes. Can I say that this year’s one with DEWRSB is not complete; we have not signed it off absolutely. I know that that is one of interest to you. We would be hoping to sign it soon.

Senator WEST—Can you take me through the key performance indicators within that agreement which relate to activity and administrative breaching in labour market programs—the Work for the Dole, Jobsearch training and intensive assistance. I am interested in what benchmark targets there are for the proportion of breach notifications that are applied and the proportion of those that are maintained.

Mr Bashford—For this year, the ones that are not signed up, or for last year?

Senator WEST—I would like this year’s, but I guess you cannot really give me this year’s because it is still in—

Mr Bashford—We have not agreed to them all this year yet.

Senator WEST—What about last year’s?

Mr Bashford—If you have an annual report, they are on page 31.

Senator WEST—Are there some differences of opinion taking place—because you have not signed off on this year's? Are you able to indicate where the differences are arising from this year's?

Mr Wadeson—In terms of the breaching targets—'breaching benchmarks' is a term that the client department uses—at this stage there is agreement on the structure of the KPI, which I think is 60 per cent of breaches advised by Job Network members will be raised and, of those, 75 per cent will be actioned.

Senator WEST—Can you just tell me what you mean by 60 per cent actioned and—

Mr Wadeson—The difference between this year and last year is that last year there was a Work for the Dole breach KPI that was actually higher than that, but that will be aligned, so that there will be no difference this year between the Work for the Dole breaches, those which are advised by community work coordinators, and the Job Network member breaches.

Senator CROWLEY—What was the word you used? Did you say 'aligned'?

Mr Wadeson—Yes, they will be aligned. Sixty per cent will be raised; 75 per cent of that 60 per cent will be actioned.

Senator WEST—So what happens to the other 25 per cent?

Mr Wadeson—This is where we get into the question of how the breach process works. I think it would be better perhaps if I got Mr Gibbon to come back and take you through it, because there are so many different categories of breaches, and there are differences in the process that apply to each.

Mr Gibbon—The breach benchmark that we have been set with DEWRSB is that at least 60 per cent of possible breach notifications actioned are applied; that is, of all the breach notifications that come from Job Network members, the benchmark indicates that 60 per cent of those breaches should be initially imposed—that is, that the person has a breach put on their record—and of those breaches that are imposed, 75 per cent of those will be maintained after an original decision-maker review or an ARO appeal or SSAT appeal.

Senator WEST—On the old BPA, the target was—

Mr Gibbon—That is what the target was. The difference that John Wadeson was explaining was that, under the old agreement, the Work for the Dole benchmark was different. It was 85 per cent of breaches that came across would be imposed.

Senator WEST—Eighty-five and you got 65.7.

Mr Gibbon—Yes. Eighty-five per cent are initially imposed and 85 per cent are maintained. Under the current negotiation they are aligning both those benchmarks together, so that it is 60 per cent that come across are initially imposed, and 75 per cent of those are maintained. The reason for this, if I could just elaborate, is that this source of breaching is commonly known amongst DEWRSB and ourselves as third-party breaching, where third-party providers put up breach recommendations. From July this year, or in fact prior to July this year, community work coordinators came into place, which are people who are sponsored by the DEWRSB program. They are referred job seekers from Centrelink to these community work coordinators, and their role is to place these people in Work for the Dole projects under those sponsorship arrangements. So that process has made them autonomous from the Centrelink referral process.

Senator WEST—Is that for better placement and supervision of Work for the Dole?

Mr Bashford—Just to make that clear, a number of breaches are advised to us by the Job Network member. Centrelink officers have to investigate whether that breach is appropriate or not. So the 60 per cent figure is the number of breaches that are in fact imposed by Centrelink officers. So 40 per cent of them may not be imposed, for reasons that they are not appropriate to be imposed.

Senator CROWLEY—Just exactly what does ‘imposing’ mean?

Mr Bashford—It means that you apply the breach.

Senator CROWLEY—In other words, you lose the money.

Mr Bashford—You talk to the customer. You discover if the customer has any particular reason why they should not be breached. If they do have legitimate reasons, you do not apply the breach. If they do not have a legitimate reason, then you say, ‘We are going to breach you.’

Senator CROWLEY—And imposing is different from actioning?

Mr Bashford—No, it is the same thing. Imposing is actioning.

Senator CROWLEY—I want to just briefly run through my brain that you have told us that 60 per cent should be imposed and 75 per cent should be actioned, but imposing and actioning are the same .

Mr Bashford—No, 75 per cent should be maintained. After they have been imposed, 75 per cent should be maintained. Sometimes you cannot contact the customer, and therefore they have not provided you with any information. It may be that after you have imposed a breach, that is when the customer makes an effort to contact you, and they may have a reasonable excuse, so you get rid of the breach. That is why that may come down to 75 per cent of those breaches being maintained. Less than one per cent are overturned by people like the SSAT.

Senator CROWLEY—We can come back to that in a few minutes.

Senator WEST—Can you explain to me the one above that on the annual report—‘Work for Dole point in time capacity’. What the heck is that? It would appear that you failed rather miserably on that target. It was a 75 per cent target and you hit 49 per cent. Forty-nine per cent is not even a pass, is it?

Senator CROWLEY—Forty-nine of 75, though.

Senator WEST—Forty-nine of 100. What is the story there? What does that all mean?

Mr Wadson—The point in time capacity is actually a measure of the number of vacant positions available on Work for the Dole schemes. Basically, Centrelink is commissioned to keep up the flow, if you like, of job seekers into the Work for the Dole scheme, and that is a measure of what is called point in time capacity. The reason that we did not meet the target—at the time these targets were set, both the scheme and our relationship with the Job Network was very new. There was a lot of learning, I think, over the first year, both by us and by the people running the schemes. I suppose the good news is that our performance improved over the year. The turnover on Work for the Dole schemes, I think, was a lot higher than we had anticipated, so there was a requirement on us to be referring more people than we had planned on referring.

Senator WEST—Was the turnover because they were going off getting jobs or was it because they were opting out and being breached?

Mr Wadeson—Generally the advice we get from DEWRSB is that it is because at this stage the scheme was heavily focused on young people, and they are getting jobs—part-time work, whatever—and no longer meet the criteria for the scheme and therefore they would drop out of it.

Mr Bashford—For an answer, you would be better to ask DEWRSB.

Senator WEST—What is happening with that target for next—

Mr Wadeson—Because of the new arrangements for Work for the Dole and the community work coordinators, we no longer have a benchmark for that for this year. The community work coordinators are required to ensure the point of time capacity is met.

Senator WEST—Of these key performance indicators, can you run through what is going to be in this year's, because obviously that one is not going to be there. Are there any others that are not going to be there or is there anything else that is going to be there?

Mr Wadeson—There is quite a change this year, because last year we did not have the structure around the Preparing for Work initiative that came in on 1 July. So they are quite a different set of indicators. The ones that relate to customer satisfaction, Job Network member satisfaction, the proportion of indigenous placements and the breaching ones we have explained are the same, but there are entirely different ones now that relate to the new scheme that came into effect from 1 July.

Senator WEST—When is the BPA due to be signed? When does the current one expire?

Mr Bashford—On 1 July.

Senator WEST—We are now in the middle of November.

Ms Vardon—Perhaps we should get it in perspective. The delay is not about necessarily the negotiations on these items. The delay relates to a payment treatment, which we are still getting some resolution on from DOFA.

Senator WEST—How do they—

Ms Vardon—We are in harmony on a matter that requires a resolution from DOFA. We are not fighting each other.

Senator WEST—How long has the issue been with DOFA—or 'DO-F-A', as one of my colleagues calls it?

Mr Wadeson—It would be two months.

Mr Hickey—It would be at least two months. The issue—

Senator WEST—So my colleague's acronym is quite right, then. At least two months.

Senator CROWLEY—If that is the delay you get when you are in agreement, God help us if you are not in agreement. Is this the case? You said before you are in harmony.

Ms Vardon—DEWRSB and Centrelink are in agreement that this matter needs to be resolved.

Senator WEST—And DOFA have taken over two months—

Senator CROWLEY—They are in agreement it should be resolved. They are not in agreement about what it is that is to be resolved.

Ms Vardon—We have a plan between us as to how to resolve it.

Senator CROWLEY—I think we should ask a few more questions to see how many variations on those answers you can continue to give.

Mr Hickey—The issue is one to do with the technical adjustment that was made to all departments' appropriations as a result of the transfer from a wholesale sales tax regime to a GST regime. The issue is about the extent of the adjustment that was made to one part of Centrelink's funding, that part of it that comes through DEWRSB under the BPA arrangements, where the adjustment that was made was different from the standard adjustment made to the rest of Centrelink's funding.

Senator WEST—Why is that?

Mr Hickey—Because the matters were dealt with through separate portfolios an inconsistency crept into the reductions that were made to our funding. It is an inconsistency that DEWRSB have recognised. They have raised the issue with the department of finance for resolution, and we are still waiting for an answer.

Senator WEST—Whose responsibility was it that has caused this inconsistency? DOFA's, is it?

Mr Hickey—I do not think it is a matter of pointing to any one agency in particular.

Senator CROWLEY—We do.

Mr Hickey—It is the fact that a complex formula that was applied on a portfolio-by-portfolio basis produced a relatively marginal error, but nevertheless significant in our terms.

Senator WEST—Would you like to explain that error, please, and how it came about?

Mr Hickey—Yes. It is a result of the application of a model which calculated the savings to departments as a result of the withdrawal of wholesale sales tax, which is a complicated calculation that was applied to every portfolio. When the assumptions were built into the calculations at the DEWRSB end, it produced a higher percentage reduction than the similar calculations that were done, for example, through the FACS portfolio. The net difference in terms of funding to us from DEWRSB is around \$1 million.

Senator WEST—And their budget to you is seven or eight per cent?

Mr Hickey—Around \$110 million.

Senator WEST—That is still one per cent.

Ms Vardon—It is \$1 million we would rather have.

Senator WEST—I can imagine, yes. So when is this unintended consequence and inconsistency likely to be resolved?

Mr Hickey—DEWRSB have raised the issue on our behalf with the Department of Finance and Administration, and it is in their hands.

Senator WEST—And you have been waiting for over two months at this stage?

Mr Hickey—Yes.

Senator WEST—I am a bit stumped on that. So that is the only thing that is holding up the signing of the BPA?

Ms Vardon—Yes. There is a bit of finetuning work. The longer it has taken, the more we have had conversations on the other things. But the finetuning on the KPIs is small beer compared with that.

Senator CROWLEY—It is very interesting that you say they applied the same formula to the two different departments and got different answers, presumably applying the same formula to the same sorts of things.

Mr Hickey—It is not true to call it a formula. It is a costing model which has a large number of individual elements, and depending on the weightings that were given to various elements of departmental costs, you get a different percentage result as the bottom line calculation. It was in the assumptions that were made about the nature of the expenditures incurred by Centrelink that the problem arose. It was purely a technical calculation issue from our perspective.

Senator CROWLEY—So it was not an estimate of what you spent at X per cent wholesale sales tax or something.

Mr Hickey—It was an assumption that was built into this model about the nature of the expenses incurred within the DEWRSB portfolio which, of course, have a different structure entirely, for example, from the FACS portfolio. But the Centrelink element of that was treated differently.

Senator CROWLEY—Are they entertained to find this difference reflected back to themselves?

Mr Hickey—DEWRSB?

Senator CROWLEY—No, DOFA. If they have actually treated Centrelink differently in two different considerations, were they amused?

Mr Hickey—I do not know whether they were amused or not. That is the issue that has been raised with them by DEWRSB.

Senator CROWLEY—They are not ringing you up with laughter?

Mr Hickey—They have not spoken to me about it, no.

Senator WEST—So the KPIs are all agreed?

Mr Wadson—Not quite. There is some argument, not about so much the nature of the KPIs but how they are measured. Because we had all these new KPIs for the Preparing for Work initiative, the measurement of it is really very complex, and it involves interaction between multiple systems. We have those sorts of issues to sort out, but within the context, these issues pale into insignificance with the one that has been referred to.

Senator WEST—Is it possible to give us a breakdown—take it on notice—of benchmarks and indicators in the KPIs, because I am getting a bit confused here trying to carry it all in my head.

Ms Vardon—The answer is yes. If you let us wait a couple of weeks—not too long—we will give you the signed-off one, which we are anticipating soon.

Senator WEST—That would be great. I would appreciate that. How long is it since benchmarks, the KPIs, have been part of the BPAs?

Mr Bashford—We have always had KPIs in BPAs with every customer we have. With every client we have, we have performance indicators in the BPAs.

Senator WEST—And breaching has always been there?

Mr Bashford—Now they change from year to year. I think breaching has been in for two years.

Senator CROWLEY—Can I ask when targets became benchmarks?

Mr Wadeson—The term ‘benchmark’ is one our client department uses because they do not, as they would say, set a target for the number of breaches. They see these as benchmarks. However, you will notice that the language that Centrelink uses more broadly tends to put them under the heading of targets. In the language with which we sign up the agreement, they are called benchmarks.

Senator CROWLEY—You can take on notice whether a target for benchmarks is tautological or not. In terms of permission for the inclusion of quotas, benchmarks, targets, were the ministers involved in that decision?

Mr Bashford—You would have to ask the individual agencies on that. We certainly negotiate at our level. I am not sure whether the individual agencies take that to their ministers.

Senator WEST—Mr Wadeson, did I understand you correctly when you said that Centrelink staff check recipients before a breach is imposed?

Mr Wadeson—If you take the breach, which is now electronic, coming from a Job Network member, there are a series of checks made before that breach will be imposed—that is, a letter will be generated to the customer that advises them that they have been breached.

Senator WEST—A series of checks are made before?

Mr Wadeson—Yes.

Senator WEST—But you do not contact the customer?

Mr Wadeson—We tried to contact the customer. Our current procedures require us to try to contact the customer.

Senator WEST—The shadow minister’s office has plenty of anecdotal evidence that it is becoming a common practice for breaches to be imposed automatically without checking with recipients.

Mr Bashford—No breaches are imposed automatically by the computer. For us the rules are that we attempt to contact the customer before we impose the breach to give the customer the opportunity to explain why they have or have not done a particular activity or why they have not turned up for an interview or whatever. It is not always possible. We cannot always get them. Sometimes we do impose breaches without having discussed it with a customer, but then they have the opportunity to appeal against that and we can reverse that breach.

Senator WEST—How long does that take?

Ms Vardon—The pushing of the buttons of appeal—

Mr Bashford—No, it is internal with Centrelink. As I said earlier, less than one per cent of these breaches are overturned by bodies external to Centrelink.

Senator CROWLEY—How many are overturned internally?

Mr Bashford—It is 38 per cent, but not necessarily imposed. It is 38 per cent that are recommended that eventually are not maintained.

Ms Vardon—That is in fact a fail safe method which we are actually quite proud of. It means that there is in fact a point of review, a second chance, a proper reconsideration internally before the breach is taken.

Senator CROWLEY—Another way of looking at it is that, somewhere along the line, there is an early rush to judgment. If 38 per cent have the button pressed and a breach imposed or recommended to be imposed—and I understand imposed—payments stop. Some 38 per cent of them are being renege on when somebody rings up and says—

Mr Bashford—It is quite often the case that customers do not provide the necessary information to Job Network members that they need. That is the fail-safe method. We look at whether breaches have been sent to the right address. We ask all those questions, because sometimes the customers do not give the necessary information to Job Network members but we get the necessary information before we impose a breach.

Mr Wadeson—The way this system counts is that if the Job Network member recommends a breach, it counts in the figures. With a large proportion of these breaches we never need to contact the customer because there is something apparent to the customer service officer as they see that breach coming through as to what the circumstances are. Although it is described as a breach being revoked, the breach may never have been advised to the customer. It is counted from the time it leaves the Job Network member and comes to us.

Senator WEST—That 38 per cent is something like 470,000 breaches, which is nearly half a million breaches last year. How many of those were knocked out or overturned by Centrelink before the client was even advised or approached, because there would be a lot of—

Mr Bashford—That 470,000 is the total number of recommendations for breaches. So the 38 per cent is about 180,000.

Senator WEST—Of that 180,000, how many of those never knew that recommendation was even there?

Mr Wadeson—We cannot tell that figure because when the customer service officer sees this they may ring them at the same time as they are looking at the evidence. We would not have that sort of breakdown. What we know is that the number you said never got to the point where the breach was raised—that is, the customer was told. There is a further complication. Under some classifications of breaches—I think it is to do with the preparing for work agreement—we are required to give a letter advising that they have five days to contact us. So there are other complications in there as well. That figure means that it is that number between talking to the customer and the evidence we have available, but for various reasons we have not proceeded with the breach.

Senator Newman—But they do not get a reduction in payment, do they?

Mr Bashford—There is no reduction in payment.

Senator WEST—That is fine. First of all, does this 38 per cent—the 180,000-odd breaches—appear in your public statistics as breaches? In there you have X number of breaches.

Mr Wadeson—Yes, they are.

Senator WEST—That is giving a false impression as to the number of people who have actually really and truly breached.

Mr Wadeson—Yes. The figure for breaches that gives the correct impression is the number of breaches maintained.

Senator WEST—Where do I find those figures, because I have certainly had difficulty finding them? I certainly found lots of breaches but I have not found breaches maintained.

Mr Bashford—There were approximately—

Senator WEST—What page?

Mr Bashford—In there?

Senator WEST—Yes. It is not in here, is it?

Mr Bashford—No, I am not sure that it is in there. But I can tell you that it is approximately 300,000 in 1999-2000.

Senator WEST—Out of a total of 470,000.

Mr Bashford—Correct.

Senator WEST—Minister, we see you make statements that so many breaches have taken place and all this money has been saved. Which figures are you using when you say that?

Senator Newman—I guess I do not use it very much these days. I think Mr Anthony uses that now he is the minister for Centrelink.

Senator WEST—One of you uses them.

Senator Newman—Yes, I know.

Mr Wadson—It relates to the number maintained.

Senator WEST—It does maintain it?

Mr Wadson—Yes.

Senator CROWLEY—Do they get counted in the 60 per cent target?

Mr Wadson—The 60 per cent target is the number that we impose.

Mr Bashford—It is expected that we would impose from Job Network member recommendations. We did not meet that figure of 60 per cent. That was because we were not looking for a target number. We did what we thought was right in terms of the application of those breaches.

Ms Vardon—It is very important to put on the public record that we do not do the wrong thing to achieve a target. A benchmark figure is given to us and we insist that our people follow the rules in collecting extra information and so on. We do not use that to force people to do the wrong thing.

Senator CROWLEY—You just said ‘a benchmark target was given to us’. By whom?

Ms Vardon—Yes, by DEWRSB.

Senator WEST—And by FACS as well?

Ms Vardon—It is called a quality benchmark. It says, ‘For goodness sake get it right and make sure that the nature of the breaches are being properly looked at and it should come out at about 60 per cent.’ That is the figure that applies if we are doing everything right. But we would not allow that to cause our people to do the wrong thing by the proper rules.

Senator CROWLEY—Why wouldn’t you say, ‘Let’s find out at the end of the year the number of people who failed the criteria and we can actually say this year we have actually breached 55 per cent or 80 per cent’? The idea of saying, ‘We are going for 60’—are these numbers in or out?

Ms Vardon—We give the actual figure of the breaches according to our best judgments, not according to the benchmark of the driver.

Senator CROWLEY—Are the ones we are talking about—some of them, anyhow; the 38 per cent—in the 40 per cent that are not imposed?

Ms Vardon—They are the 40 per cent that are not imposed.

Mr Bashford—The figure is 38 per cent.

Senator WEST—Staff are paid performance bonuses, aren't they?

Ms Vardon—That would not be a correct way of interpreting what happens with our staff's pay. Our staff are paid according to an agreement which we set up over a period of three years. We make a decision about whether they achieve certain pay rises according to productivity targets having been met.

Senator WEST—I presume that those productivity targets have key performance indicators.

Ms Vardon—I am going to read for you the section from the Centrelink Development Agreement explaining how we decide on the productivity base pay. It states:

A pay rise will be paid ... where the overall average balanced scorecard result over the preceding 12 months for the following measures exceeds 1.0 ...

There are then 11 things that get taken into account and I bring in an external auditor to determine whether or not overall we have met the targets that we have been given. We just pick out some indicators. I can read them all to you if you want me to. They are:

- per cent of all claims processed within their respective timeliness standards ...
- per cent of occasions where accuracy standards are met ...
- compliance benchmark—

whichever that one is given to us by the FACS—

- overall customer satisfaction ...
- satisfaction with personal service ...
- call waiting time ...
- appeals ...
- completion and review of team and individual learning plans ...
- Comcare ... cost ...
- attendance, excluding workers' compensation ...
- debt reduction ...

Senator GIBBS—Would that also include when people have overpayments and they have to pay them back? Does that bonus also include that?

Senator WEST—It includes debt reduction.

Ms Vardon—Yes. Whatever the indicator is that the client department has given us.

Senator GIBBS—Is that why when people have overpayments, usually through no fault of their own, the Centrelink staff are flicking them off to the financial counselling services

around Australia to see if they could be put on a budget to pay more than the 14 per cent that they have to pay back for overpayments?

Ms Vardon—There were a few things in that. Firstly, I challenge the first assumption that people get a debt raised through no fault of their own. The most significant reason that people have a debt raised is that they fail to tell us of a change of circumstance. That is the first part of that one. I cannot quite see the relevance of the second part of the question, which relates to 14 per cent.

Senator GIBBS—A couple of financial counselling services in Queensland have complained to me that over the last so many months—not too many months—they have had an increase of people visiting them because Centrelink have sent them to the financial counselling service to be put on a budget to see if they can pay back more than the 14 per cent of their payment that they are required to pay per fortnight.

Senator Newman—Firstly, this is a further fact for you. About 24 per cent of the people who are breached are breached—this is my recollection—for having income that they are not declaring. So, in fact, you may be talking about people here who have income from part-time or casual work in addition to social security payments. They would have a better chance than most, I would expect, to be able to work with a budget.

Senator GIBBS—No, that is not the case.

Senator Newman—It is the case about the proportion of people who are breached.

Senator GIBBS—They have to pay back 14 per cent. If they owe Centrelink a certain amount of money, the rule is that 14 per cent is withheld.

Senator Newman—But when you take into account that 24 per cent of the people who have been breached—who actually are breached—are breached because they have not told what income they were receiving—they had taken up some work but had not told. They are people who will be better off than somebody who just—

Senator GIBBS—Not according to my information.

Senator Newman—I will leave it to the experts, but I just thought it would be useful to have that on the table.

Senator GIBBS—In fact, apparently financial counselling services had a conference last week and this is all over Australia. They are all talking about it. Centrelink are referring these people—and I might add with no extra funding—to financial counselling services, which are already flat strap looking after God knows how many bankruptcies and everyone else's problems, to work out a budget to see if they can pay more than that 14 per cent back. How long has this policy been going on?

Ms Vardon—Can I just say, firstly, that I am really pleased that our people are referring people to financial counsellors, because it means that they are actually paying attention to helping people rather than just taking the money away from them. I cannot answer further. I do not know the facts about that. I am happy to follow up on that—

Senator GIBBS—If you would, please, because this is not an isolated incident.

Ms Vardon—I will. I am happy to do it. I am very happy to get the facts and follow up on it. Rod knows about it, do you?

Mr Gibson—The issue you are talking about there is the case of someone who is currently on benefit, who obviously owes a debt and then the standard withholding arrangement kicks

in at 14 per cent. That has always been recognised as a starting point in the repayment of debt. At the beginning of that process of negotiating an arrangement they are advised that if they have difficulty with the 14 per cent they should come and see us. A small number of people do come and see us and a fairly detailed examination is then made of their financial position and the level of commitments they might have.

There is a limit to how much the Centrelink debt recovery officer can do about that. They certainly do not go through a referral process; it is a suggestion that they might wish to consider rearranging their financial affairs in order to maintain their whole range of commitments, including a reasonable repayment to Centrelink. Basically that minimum payment remains for three months. If at the end of that exercise they can come back and demonstrate that they have gone through a process, which might be a financial counsellor or it might be their own efforts, and if they can demonstrate that they really cannot reorganise their finances in any other way than they are currently organised, then the reduced rate would be continued. It might well have been reduced from 14 per cent to, say, five per cent. If they cannot demonstrate that, then *prima facie* it would go back up to the 14 per cent. This is where there is some attraction for some customers to visit financial counsellors in order to try to put their finances into a more acceptable format.

Senator GIBBS—So you are not asking them to pay more than the 14 per cent?

Mr Gibson—No, quite the reverse.

Senator GIBBS—This is not what I have been told.

Mr Gibson—The situation arises where someone says, ‘I can’t afford the standard 14 per cent. My finances are such that I really have to repay a lesser amount than that.’ We will accept it, based on our analysis, for three months. But for any period after that we are expecting them to take some steps to rearrange their financial commitments in such a way that they either demonstrate they cannot change it or they can change it. We are just asking them to take that next step.

Senator GIBBS—I have been told that they have been sent there so that they can work out if they can pay more.

Mr Gibson—It is the way people interpret that. No, quite the contrary.

Senator GIBBS—I think you should investigate it. I will check it out more. This was a complaint I received from a couple of financial services in Queensland. I know them personally; they are reputable people. Apparently after the conference they were all talking about it, and this is fairly widespread throughout Australia.

Ms Vardon—It concerns me that part of an industry does not understand this. I am very happy to make sure that that industry does. If I can get a contact about that conference—we can find out, anyway—we will go back, talk to the people who organised the conference and perhaps provide information to everybody who attended that conference about what this policy is really about.

Mr Gibson—The situation with standard withholdings is that it is a default position in so much as when a debt is raised and a letter goes out to the customer saying, ‘Sorry, but you’ve got a debt’, if they do not contact us the automatic 14 per cent—it does vary from payment to payment—is applied and then that situation that I described before about coming back and discussing it might well be the case. So it is a starting point.

If in fact that analysis of their financial position indicates that they have significant capacity to pay more than 14 per cent, the expectation with debt repayment is not limited to

14 per cent. So you can imagine cases where someone comes in with very significant liquid assets where the 14 per cent has been applied and they might be saying, 'I can't afford 14 per cent,' but an analysis of their financial position indicates that they can indeed afford more. Under those circumstances, our staff might well say, 'Look, I really believe you can afford more.' Because the legislation and indeed our whole rationale for debt recovery is based on the recovery of overpaid Commonwealth funds as quickly as possible without putting the customer into real financial hardship. It becomes that discussion about what is real financial hardship. Of course, because so many of our debts cover people who are no longer customers, you are dealing with people in the work force. Some of them have very substantial assets. So you are really dealing with the whole gamut of people when you start dealing with debts. As I say, they are not all necessarily very limited in their means so you have to cover the whole gamut.

To go back to your statement that there might well have been some who are asked to pay more than 14 per cent, I can envisage that situation. But you would have to look at each case on its individual merits and have a look at their financial position in order to reach some conclusion whether that was a fair comment or indeed a hard call. So if you have got individual cases which you would like us to review and re-examine, we would only be too happy to do that.

Senator GIBBS—I will ask the service if they want to do that.

Mr Gibson—We would appreciate that.

Senator CROWLEY—You were telling us, Ms Vardon, about the 11th criteria by which bonus payments were paid. I wrote them down. Two of those included—and I think Senator West will take it from here—benchmarks reached, in other words how many people are breached, and debt reduction.

Ms Vardon—No, I did not say that. The question of people breached is not included in this list.

Senator WEST—What are compliance benchmarks and debt recovery?

Mr Gibson—Compliance benchmarks are in relation to the amount of debt recovered, and savings from reviews

Senator WEST—What is the difference between breaching and debt recovery? I am having difficulty comprehending that.

Ms Vardon—Mr Gibson will explain it to you. The word is used differently inside our organisation. These are internal words for a Centrelink development agreement. We will have those explained to you.

Mr Gibson—I am sorry, I missed the question. It is very hard to hear back there.

Senator WEST—What is the difference between compliance benchmarks, debt reduction and breaching?

Mr Gibson—Breaching is simply a reduction of a person's entitlement.

Senator WEST—Is that not related to compliance benchmarks and debt recovery? Some debt recovery will take place?

Mr Gibson—No, we reduce the payments.

Senator CROWLEY—That may not be a debt recovery. I concede that you could say it was not. But it does sound awfully like a benchmark. You have got a benchmark and you are aiming for it. Is this not a benchmark compliance?

Mr Gibson—A compliance benchmark does not include targets for breaching.

Senator CROWLEY—What does it include?

Mr Gibson—Essentially, the compliance benchmark involves reviews and the outcome of reviews.

Mr Bashford—So you are looking at a person's entitlements and determining whether this person is still entitled to the amount of money that they are getting and, if they are not, then there is a debt. That is what compliance is all about—compliance with the rules.

Senator CROWLEY—What is a compliance benchmark?

Mr White—A compliance benchmark is generally the number of reviews set by the client agencies that need to be conducted in a financial year or it could be a monetary target as well—generally, it is the number of reviews—or outreach in terms of child-care providers—we do that in terms of the outreach to those child-care providers; the organisations—or the number of prosecutions that are referred to the—

Senator CROWLEY—But not targets for breaching?

Mr White—No.

Senator CROWLEY—Is that the only benchmark that is specifically not included in compliance benchmarks by staff for increase in salary?

Mr White—The compliance benchmarks make up part of the certified agreement with the staff in terms of their—

Senator CROWLEY—But we have just been talking about benchmarks. You could understand how some of us would be a little puzzled that there are some benchmarks that have to do with what is called compliance benchmarks to make you eligible for a salary up or down—that is, compliance benchmarks reached or not reached—but that compliance benchmark list does not include the benchmark of breaching?

Mr White—That is right.

Senator CROWLEY—What other benchmarks does it not include?

Ms Vardon—It is not about benchmarks generally; it is about where we do a review to see if the entitlement that a person has to a benefit is still relevant or not according to their circumstances. We do these reviews all of the time through all of the different payment types. So we do a review of people on disability pension and a review of people on something else to see whether they are still entitled to be getting the amount of money that they have been getting. We ask them whether they have changed their circumstances. If they have changed their circumstances, we make an adjustment up or down, and the money saved constitutes the dollars which go towards a dollar figure coming to us as a compliance benchmark.

Senator CROWLEY—But while we are looking at this, you would have to allow—and if you do not, I would draw your attention to this—for the fact that it is very likely that lots of other people besides me are easily confused on this matter. We have spent some time talking about benchmarks—they used to be targets—that the department sets out to reach. Benchmarks of breaching, debt recovery and so on—

Ms Vardon—Family and Community Services gives us a set of benchmarks to achieve and we measure whether or not we achieve them.

Senator CROWLEY—Senator West asked for the criteria by which you assess productivity based pay. It includes two criteria called compliance benchmarks reached and debt reduction. It is possible that people would think that you get an increase in pay if you breach half the world.

Ms Vardon—That is not correct.

Senator CROWLEY—I am pleased it is not correct. But can you understand that? I think you should know that an assurance is needed on that point, because people like me are understanding benchmarks reached to include the benchmarks that you have just been spelling out.

Ms Vardon—The auditor whom I bring in to have a look at these does not look in any way at breaching.

Senator CROWLEY—What other benchmarks of Centrelink are not included under the heading ‘compliance benchmarks reached’?

Mr Bashford—Let me tell you what are included under the compliance benchmarks. There are three: the number of compliance reviews activity; that is a dollar amount—the number of prosecution referrals; and the amount of child-care assistance reviews. So those are the three compliance activities in the current business partnership agreement.

Senator CROWLEY—Do you do reviews when you are assessing benchmarks for breaching?

Mr Bashford—There is no connection between the two.

Senator CROWLEY—What reviews are we talking about?

Senator WEST—You review reviews?

Mr Bashford—There will be reviews of whether people are receiving their correct entitlements.

Senator CROWLEY—So if you have actually tried to see whether or not—

Mr White—These are the data-matching reviews we talked about earlier—tip-offs from the public; the work that is done by the mobile review teams.

Senator WEST—But aren’t they used in breaching clients?

Mr White—Some of those activities could lead to breaches in clients, but there is not a separate benchmark for those. The benchmark relates to—

Senator WEST—As I understand from what we have been told here tonight, if you are data matching and you score a hit that does not match, they are immediately put aside to be breached. Then you go through the processes and they may or may not be in the 38 per cent or the 62 per cent.

Mr White—No, the data matches go across all of the program payments that we pay on behalf of FACS.

Senator CROWLEY—I am sure they do. They also include breaching.

Senator WEST—If you get a data match that does not match, what happens? What is the process?

Ms Vardon—It is a consequence of the data matching that there is a breach, but we are not counting the numbers of breaches.

Senator WEST—But you are counting something that breaching is a consequence of.

Mr White—No, you are not.

CHAIR—After consultation with honourable senators, we have established that we will probably only have time for questions on the following outcomes: 1.4, Child-care support; 3.1, Labour market assistance; and 3.3, Support for carers. Those officers who have kindly given of their time may now take their leave. If you are not associated with any of those outcomes, I thank you for your time and I apologise if we have delayed you unnecessarily. We have just had to gauge time as we have gone on. So thank you. Senators may well put questions on notice for those outcomes that we will not have time to get to. Sorry to have interrupted trains of thought. We will now move on. Ms Vardon, I think you were in mid sentence.

Ms Vardon—I forget which sentence I was in the middle of.

Mr Whalan—I might just make a couple of comments. I just note that we have a business partnership agreement, of course, with Centrelink as well. In it we require a lot of activity in terms of the quality of the decision making and the record keeping that Centrelink undertakes. Some of the discussion that has been undertaken here is about the difference between breaching and a number of activities under the compliance area. To give you an example of the sort of activity under the compliance area, it would be data matching with births and deaths records, which may end up with the cancellation of a payment, which is not actually a breach; it is finding that someone is actually cooking the books and claiming a payment which they are not entitled to because they have taken a false identity.

Senator CROWLEY—If you do not call that a breaching, what do you call it?

Mr Whalan—Cancellations.

Senator WEST—In that 38 per cent, are there any cancellations? In that 62 per cent that is left, how many of those are cancellations?

Mr Whalan—As I say, I think that there are a number of payment cessations which are outside the breaching regime.

Senator WEST—Yes. This is a Pandora's box.

Mr Whalan—You are asking questions within the breaching regime? There are cancellations that have been for many years external to breaching, which are about the accuracy and quality of information—checking the accuracy and quality of information that is provided by an individual against external sources, trying to make sure that the taxpayers' dollars are spent in the right way.

Senator WEST—In what pie, in what flow chart do cancellations appear? We have got 38 per cent that are breached, of which not all of them are proper, full breaches. We have got 62 per cent left over. How many of those are cancellations?

Mr Gibbon—I think that we are getting a bit confused here about the difference between—

Senator WEST—Did Mr Whalan not help the issue?

Mr Gibbon—I will see how I go. What we are talking about here are two slightly different things. One is a cancellation as a result of a breach, which is the result of either a Job Network

member or Centrelink initiating breach action on somebody for failing the activity test or failing some sort of administrative requirement. What we were talking about earlier was a compliance review. Those two things are treated separately, I think. We do not rack up a compliance review and a breach as a same thing, if you know what I mean. They are different types of activities.

Senator WEST—But a compliance review can lead to a breach.

Mr Gibbon—It can.

Ms Vardon—Yes, but we do not measure the number of those breaches to pay people.

Senator WEST—You measure everything else to pay people.

Ms Vardon—There are many measures that we have. We have picked out ones where there are just two—

Senator WEST—Two out of 11.

Senator CROWLEY—Can I say, Ms Vardon, it certainly seems to me to be open to the kind of confusion that we are just trying to make clear.

Ms Vardon—It is not open to confusion with the auditor who has to come in and do this check. Really, the elements that go to make up the decision about our pay are very clearly outlined in our organisation. We know what they are and they do not include the number of breaches.

Senator CROWLEY—There is confusion, not necessarily among anybody working with Centrelink. People sometimes say, ‘Sometimes I think they are just increasing the breaches or getting the numbers up so as to improve their own take-home pay.’

Ms Vardon—I have not heard that.

Senator CROWLEY—If you have not heard that being said, can I tell you that it is being said.

Ms Vardon—Okay.

Senator CROWLEY—The exchange we have just had would certainly lead me to be even more confused than before. If you use words like ‘benchmarking for breaches’ and then say that one criteria for salary or pay, or productivity-based pay is compliance to benchmarks, ordinary mortals would be likely to think that the word ‘benchmark’ is applying to the same thing. You are telling us that it is not.

Ms Vardon—I am sorry if people are confused about it. We are not confused inside our organisation. If I may just say that we were not talking about compliance to benchmarks; we are talking about compliance benchmarks, which are two entirely different things.

Senator CROWLEY—I am grateful for that kind of assistance. Thank you, Ms Vardon. As to debt reduction, do I understand that clearly? If somebody whacks up \$1 million in savings by getting debt reduced by this amount, do they get a bonus for Christmas?

Mr Gibson—Debt reduction was all about attempting to achieve a positive outcome from the introduction of debt prevention officers. As you appreciate, there is a significant level of debt which is created by the payment process and it involves \$43 billion. The aim of the exercise in having debt prevention officers—last year they made somewhere over 900,000 individual contacts with customers—was to try to prevent debt. The measure that was in the pay calculation last year, from memory, was an attempt to get down the average level of debt.

In terms of last year's performance, the level of debt raised and the level of debt recovered by Centrelink actually fell over the year before. I am certainly not attributing all of that to the efforts of the debt prevention officers because it is the end process of a whole lot of other variables, but certainly the 900,000 contacts played a role in that reduction, and we are pretty pleased about that.

Senator CROWLEY—Would you be able to provide to the committee the number of staff whose pay was increased because of the debt reduction that they achieved?

Ms Vardon—None. It does not work like that. Our organisation is dealt with as a whole. Apart from AWAs for senior officers, our organisation is dealt with as a whole. We make an industrial agreement and we say, 'We will pay certain percentages of increase over a designated period of time. The condition, though, is that you have to establish that there has been a productivity improvement in our organisation.' How do we determine a productivity improvement? Well, we can use many factors. We chose 11, but we could have picked any of a couple of hundred. We picked 11 which were easily identified—things that we could measure, things that staff could relate to and that made sense. We say, 'You do not have to achieve every single one of these 11, but the overachievement of some has to counterbalance the underachievement of others so that you end up achieving the standard of 1.' No one of these indicators stands alone as important; the 11 have to be read together.

Senator WEST—You said that these performance indicators applied to all the staff except those on AWAs. That is the senior staff.

Ms Vardon—That is not exactly true. If you would like to give me the question, I can answer it and put it in context.

Senator WEST—You are talking about salary increases. How many staff get performance bonuses?

Ms Vardon—Very few in our organisation.

Senator WEST—Who?

Ms Vardon—It is about 100, and they are very small. The senior staff in our organisation have the same rules as the staff. They would not get their increase if the whole of the organisation had not met the balance of those 11. Some individual people, including all the SES, have AWAs. In those AWAs I identify things that they need to perform which really establishes their salary base plus a small amount of money, which is marginal. It certainly does not compare with anybody else.

Mr Bashford—It is specific to their work. These are individually specific to their work.

Senator WEST—So somebody in the debt recovery area is going to get a performance bonus on the amount of money they bring in?

Ms Vardon—No, not at all, because they are not responsible for it. The SES officer who is here who is responsible for that certainly would not have it based on overall achievement of benchmarks, because he does not actually control that. He would have other things about improving service delivery. In fact, I remember one of them. There were 57 variable debt letters and I said there could only be two or three, so he had to fix that up one year. It has not quite solved the problem, but I have not taken away his money, because we are trying to find them. But it is that level. It is the service improvement that is connected to the AWAs.

Mr Bashford—No-one has an incentive to breach people to get more money in the organisation. That is the point we are trying to make.

Senator WEST—Ms Vardon, how are your performance bonuses calculated and estimated?

Ms Vardon—I have declined a performance bonus.

Senator CROWLEY—Is there a mark left on a person's record that they were recommended for breach, whether or not the breach ever was imposed? What happens if one is recommended for breach, then if the breach is imposed, then if the breach is maintained? Do you have a B, B+, B++?

Ms Vardon—We keep a record of all those things, but the expert is here, Mr Gibbon.

Mr Gibbon—That is correct. We keep a full record of the breach history. That includes revoked breaches, imposed breaches and those that have been overturned on appeal.

Senator CROWLEY—Is it like a bad mark? How many breaches can you have?

Senator WEST—If you are part of that 38 per cent and you have done nothing wrong, is your file going to be marked?

Mr Gibbon—It is just on the breach history screen. It stays there. It is on the system.

Senator WEST—That then worries me when I read this comment in relation to customer relations units:

There are inconsistencies in data recording practices that limit the usefulness of captured data. More sophisticated data analysis techniques need to be adopted or applied on a wider basis.

Ms Vardon—Is this page 39?

Senator WEST—Yes, it is. It says that you have come a long way—and that is good—but they did a review and it highlighted areas where improvements could be made. It states:

Problems were identified due to the philosophy and design of the complaint handling processes and some inconsistencies in practices.

Then it talks about inconsistencies in data recording practices. It then also talks about the problems you have had with the paperless office. I have concerns when I read the Ombudsman's report about paperless offices and the problems that that has caused and then you tell me that you leave this on the computer. If I am one of the 38 per cent you leave on the computer with a note on my file that I have had a breach applied before when it has not been one that I have been responsible for—it has not been my fault—

Ms Vardon—We have got the wrong thing here. The issue about inconsistencies in data recording relates to the customer relations unit, which is essentially the complaints unit within our organisation. The Ombudsman's review found that each of the customer relations units kept data differently. This does not relate to the individual client record or customer record, which is in our computer. This is about a person ringing on the phone. They kept different sorts of records. The Ombudsman said, 'It is better for you to have consistent practices in your customer relations unit.' We said, 'Fair enough,' and we did. But this related to data recording of the complaints.

Senator WEST—I get back on to his comments about the paperless office issue and the fact that you are trying to do away with paper but there are things that are recorded on paper that may not get recorded on the computer. If someone in this 38 per cent turns around in 12 months time and has a similar breach recorded, it is going to be harder for them because they will be showing this consistent pattern. Maybe it happens every 12 months over a period of

years—a consistent pattern: each year they are up for a breach. Somebody new comes to the area, they are looked at—

Mr Gibbon—We would only be viewing that record if we had a need to do so, and that would only occur when breach action was taking place. What the CSO would see on the system would be that the person had a breach and it was revoked. They would probably view the reasons it was revoked last time to see what the reasons for that decision were. This goes to the core of quality decision making.

Senator WEST—This 38 per cent means that they never lose their benefits at any stage? They have never lost their benefits?

Mr Gibbon—The vast majority of that 38 per cent would not have lost their benefits.

Senator WEST—Can you give me a breakdown of how many in the 38 per cent at some stage lost their benefits?

Mr Gibbon—No, I cannot, but what I can give you is the number where people definitely did not lose benefit, and out of that 38 per cent—and here we are talking about Job Network breaches only because this is where we have got a separate process where we get the recommendation process coming across—as Graham Bashford said earlier, there is then a decision making process. We attempt to contact the customer to get their side of the story and so on and the breach is either imposed or revoked at that stage and there is a secondary decision making process at review at the ODM level. But just to give you an idea of the numbers for the last financial year, we had 92,000 Job Network member breaches revoked from the system, and 69,000 of that 92,000, or 75 per cent, were revoked and payment would not have been affected at all. That is, the decision was made in 75 per cent of those cases not to proceed with the breach action at all.

With the remaining 25 per cent, we do not know whether or not the payment was suspended pending the person coming in and whether they actually had a temporary effect to their payment which would have been paid back when the breach was revoked. So we have got 75 per cent with absolutely nothing, there was no change, the customer recognised no difference, and out of that 25 per cent there was probably a fair number where there was no effect to the payment at all, but some may have had a slight delay in payment.

Senator CROWLEY—Can I just be clear? You said 92,000. Is this Job Network breaches?

Mr Gibbon—Job Network.

Senator CROWLEY—And what was the figure that I thought you said earlier that Mr—

Mr Gibbon—Bashford.

Senator CROWLEY—Bashford said equalled 180,000.

Mr Gibbon—That number 188,000 relates to all activity tests and administrative breaches across-the-board.

Senator CROWLEY—Thank you. How many times can you have a breach marked against you and still be regarded favourably by Centrelink? If you have one breach that is not proceeded with, I presume it is not too much trouble, but what if you have a solid breach history?

Mr Gibbon—In most cases Centrelink is very concerned when people get second or third breaches, and what we would be looking at in terms of when we are viewing their record to

determine the breach, that breach on the case of the merits presented to us would be if there were previous breaches that were imposed. For example, we would be awfully concerned to have a good talk with the customer to find out the reasons why the second or third breach was occurring and to identify whether or not we had them on the most appropriate activity testing arrangement. So at the second breach stage we might identify barriers to employment or other types of barriers that may indicate that we are asking the person to do an inappropriate thing and perhaps we should modify their activity testing arrangements by changing the program they are on or the level of Job Search.

Senator CROWLEY—Can you take that on notice and tell us how many people you find in that category?

Mr Gibbon—On the second and third—

Senator CROWLEY—From what you are saying, some of them may indeed be people who are being inappropriately recommended to take up work or do something—attend for an interview or whatever it is—who are homeless, psychiatric or whatever. Can you provide any kind of breakdown of those people when you go looking who you would judge were being inappropriately directed to a job or to—

Mr Gibbon—It is difficult to analyse. We do not have much qualitative data in that regard. What we do know is the number of people who serve first, second and third breach penalties. We know about revoke rates. We do not know about characteristics such as homelessness on the system because we do not collect that indicator.

Senator Newman—The people who maybe have a mental illness or drug addiction or are homeless have the right to be exempted from the activity testing. You will say to me they will not always know that, but the one-to-one officer arrangements now make it much easier for the person who is regularly looking after those individuals to know that and to be able to pull them out of that system. But in addition, of course, Welfare Rights well knows that and if they are involved at all they would pick up things so that that will get an internal review pretty quickly. So I think the system is there that is fair for those groups of people.

Senator WEST—I am not just talking about activity testing for unemployment. I am interested in knowing if you have some handle on those who are breaching across-the-board and whether they have an addiction problem, be it alcohol or whatever, whether they have an intellectual disability or some sort of disability, because we know that in prisons indigenous, people with disabilities and substance abusers are there in higher proportions and I am wondering if they are also falling foul of your criteria and your guidelines for the same reasons that they fall foul of other laws. Are you able to—

Mr Bashford—The severely disadvantaged people—

Senator WEST—A lot of those will be on DSPs, I know.

Mr Bashford—DSP.

Senator WEST—But those who are borderline—

Senator Newman—They can do a Newstart incapacity.

Mr Bashford—We have the discretion to make a judgment if a customer is temporarily unable, we think, to meet activities to do something about that—not impose breaches, et cetera.

Senator WEST—What is the age profile of those you are breaching?

Mr Bashford—I have some information on the proportion of people breached by age. Would you like me to give you—

Senator WEST—Maybe you can give it on notice. If you have a table, you might be able to give it when you are finished giving your answers, because it is easier to read off the table. I am interested to know what the age profile is. I am interested to know the proportion of people under 25 who are being breached.

Mr Gibbon—I can provide that for you now. It is around 50 per cent of the Newstart youth allowance population under the age of 24 who are breached. So what we generally find—and in fact when you go to under 30 it is about 70 per cent of the population—is that the basic demographic for breaching is young males, basically.

Senator WEST—Have you done any research or any work as to why this group is breaching more frequently or is being penalised by you for breaching more frequently?

Mr Bashford—That is probably an answer better given by FACS.

Senator WEST—Has anybody done any work on it?

Ms Winzar—Basically, higher breach rates are corresponding with youth, as Mr Gibbon mentioned. We find that people who have got a partner or a dependent child are less likely to breach. We find that people who have literacy difficulties or who have high mobility are more likely to breach, and it is correct that we find indigenous customers are more likely to incur a breach as well.

Senator Newman—And about 86 per cent of people are never breached.

Ms Winzar—There are some other dimensions that you may be interested in, Senator. It is the case that breaching is much higher in capital cities. For example, in 1999-2000 in the outer tier of capital cities the net breach rate was around 16.9 per cent, compared with about 10.2 per cent for people who were in towns of less than 2,000 people. So it is fairly strongly correlated with the strength of the labour market, which suggests to us, amongst other things, that, one, people are less tolerant of people failing the activity test, their Job Search requirements, if there is a strong labour market; and, two, of course, if there are more opportunities for people to earn money and not declare that to Centrelink and then later get caught by data matching, then that is likely to occur in those stronger labour markets than in the country.

Senator Newman—And people who come from non-English-speaking backgrounds are less likely to be breached as well.

Ms Winzar—Yes. That is quite true, Minister. In terms of overall people born overseas, the net breach rate is around 12 per cent. Those born in Australia is around 15.2 per cent, so it is quite different. In terms of the length of time that people have been on payment, if it was simply a matter of disadvantage, then you could argue that the longer people have been on payment the more likely they would be to be breached because that would be the group who, because of their severe barriers, would be running foul of the system and not picking up jobs. In fact, that does not quite seem to be the case. We have about three per cent of people who have their breach imposed before they come on to payment. That sounds a bit odd, but people can be breached if they voluntarily leave a job or, if they are sacked because of misconduct as a worker, they will also have a rate reduction period.

The highest breach rate really is for those in their first three months on payment where the breach rate is about 19 per cent. So it is in that early stage. I am not sure if it is because people

have not learnt the ropes yet or if it is because they think they can get away with not declaring income, et cetera, but certainly that is quite high compared with the average.

Senator WEST—Are you looking at some way that you can better instruct them in relation to the ropes?

Ms Winzar—One of the difficulties we have is that quite a number of people fail to attend a seminar or an interview. Centrelink relies on customers turning up to their grant interview and their grant seminar to find out about their rights and obligations. If people do not turn up to find out what those obligations are, they find out fairly soon after with a rate reduction imposed.

Senator WEST—How many breaches occur because people have earned a small amount of money, not even enough to affect their eligibility, but have failed to tell you about that?

Ms Winzar—I cannot quantify that for you. Mr Gibbon can correct me if I am wrong, but my understanding is that Centrelink would not generally impose a breach on someone who had earned a small amount of money that had not affected their rate of payment. They would usually get a warning.

Senator WEST—How is a warning recorded? Presumably not as a breach.

Mr Gibbon—In the case of Centrelink initiated breaching into which non-declared income falls, that is not put on the breach record at all. It is only for Job Network members and community work coordinator breaches that come across.

Senator WEST—What about those—and it is a problem the Ombudsman has highlighted—who are doing some casual work who are not in a position to be able to notify you of the amount of money that they have earned because they do not know how much they have earned until they get their pay and their pay might be outside the fortnight in which they are supposed to advise you? What are you doing to address that problem, because the Ombudsman has highlighted it? It is certainly not a consequential issue I would have thought, particularly in some areas.

Mr Wadeson—One of the advantages after we went through the pay cycle initiative was that we would actually set people's pay period depending on when it was convenient for that—that is, to align with their payday. We have an option of giving them a payday that would get around that problem. So if it is a consistent problem, we can say, 'If you're getting paid on a Friday and you want to tell us you want it on the Monday, we'll make the Monday your payday.' So we do have a way around what used to be a fairly tricky issue.

Senator WEST—That is fine when they have a regular day on which to work. It is not really helpful for those casual workers who, say, pick fruit in the fruit season or something like that where they work a day, a day 10 days later, a day a fortnight later or even a day three weeks later. The days they work are higgledy-piggledy and all over the shop. What are you doing to address that problem? As I say, the Ombudsman has highlighted it and said you should be and could be looking at ways of overcoming it.

Mr Gibbon—We are introducing new ways of recording casual earnings and we are asking job seekers to fill out a new form that records the hours that they work and the approximate amount of dollars that that equates to, provided that job seekers do their very best to estimate the income and they have not knowingly or recklessly falsely declared their income. In those cases where it is quite difficult but they have made their best endeavours to say, 'This is how much I think I am earning,' then the breach would not apply.

Senator WEST—So next year when I read the Ombudsman's report I should see something different?

Mr Gibbon—There are a number of innovations in the casual earnings field that we are working on at the moment. The key issue is that if people make their best endeavours to tell us what their earnings are in the fortnight they earn them, they would not be breached under that section of the act.

Senator WEST—How many breaches, both administrative and activity, have been initiated by Centrelink in the last financial year?

Mr Gibbon—In the last financial year Centrelink imposed 92,000 activity test breaches. We also imposed 125,000 administrative breaches. Job Network imposed 73,000 breaches, and these are where the breaches have held. Under Work for the Dole there were a further 13,000 activity test breaches. We have split Work for the Dole because they have become more akin to the third party breaching arrangement under the community work coordinator framework.

Senator WEST—I cannot remember whether you told us this before, but how many breach recommendations were received from providers which are third party ones and how many resulted in action?

Mr Gibbon—The last financial year we received 165,000 breaches from Job Network of which 73,000 were imposed and maintained. Some 92,000 were revoked, which was a breach rate of 44 per cent net.

Senator WEST—Yes, you do need to do something about that, don't you?

Mr Gibbon—There are a few arguments around that number and around the benchmark we have been discussing tonight. One of our arguments is that that indicates that there are safeguards in the system and that where Job Network breaches come across and they are not appropriate then job seekers are not disadvantaged.

Senator WEST—Yes, but if 25 per cent of them end up losing money when they should not be losing money—

Mr Gibbon—That could only be temporary. Again, that was an estimate because that is our best information. But they would not have lost—

Senator WEST—At this level of income, temporary is not to be sneezed at. How many of those were overturned on appeal?

Mr Gibbon—External appeal?

Senator WEST—Yes.

Mr Gibbon—Under SSAT, under one per cent.

Senator WEST—You have already revoked 72,000.

Mr Gibbon—Again, because of the counting arrangement here, these breaches are possible breaches but we count them in our statistics as breaches, as Mr Wadeson outlined earlier. So there is a little bit of a distortion in the statistics. When we are talking about net breaches, which are those opposed to gross, these things have to be borne in mind.

Senator WEST—What are you doing about concerns by the Ombudsman, amongst other people, as to the length of time in having appeals reviewed? What have you undertaken to do there?

Ms Vardon—Could you refer us to the page, Senator?

Senator WEST—There was one Austudy example as I recall.

Ms Fleming—I would have to take that question on notice, although I do understand that the time taken for lodgment of appeals is generally decreasing.

Senator WEST—That is fine. If you can do that, that would be great. What resources are expended in the review process for breaches in terms of staff hours, costs and that sort of thing?

Mr Bashford—I know that we can get that figure. It is part of the total administration.

Senator WEST—You can tell us how much you save when you breach somebody, but you cannot tell us how much it costs.

Ms Vardon—We know how much it costs to do a preparing for work activity—that is, an hour or an hour and a half to get somebody involved in the system, so to speak, incorporated in the time that someone has spent in employment services. Part of that would be time spent in following people up as part of their case load. But we cannot specifically pull that item out. I am thinking in my mind of the costing analysis that we are doing. I will just check with the chief coster that this is true.

Mr Bashford—We have a cost for the total process, but we do not break that down into the individual bits.

Senator WEST—Maybe if I give you a whole bunch of stuff. I am still trying to get some handle on the resources expended in the review process for breaches—staff hours and cost.

Mr Bashford—This is just breaches for employment?

Senator WEST—No, across-the-board—separated out, I guess.

Mr Bashford—Can we be a bit more specific about that, because it is going to be very difficult for us to get the information unless you are a bit more specific about—

Senator WEST—Can you just bear with me? I will go through it a bit more and it might fall into place. What resources in total are expended—that is, staff hours and costs—on compliance activities, actioning breaches and checking employer contact certificates, dole diaries and fortnightly review forms. By comparison, what resources—staff hours and costs—are expended on ongoing case management and follow-up of job seekers? Does that help?

Ms Vardon—Why don't we take the question and give you the best analysis we can.

Senator WEST—I am trying to get some comparison, because we see in the media 'Welfare crackdown saves X number of thousands' or millions or whatever. You have saved that, but how much have you spent to save that?

Ms Vardon—We know how much is dedicated for employment services from both FACS and DEWRSB. We will try to break that down if we can into the time allocated for review activity. We may not be able to pull it out.

Senator WEST—No, but you can give us some indication.

Mr Bashford—For every dollar we spend on trying to recover the money, we recover 20.

Senator WEST—You are saying that for every dollar you spend to recover it, you recover 20?

Senator Newman—And do not forget the element of debt prevention, which is a shared responsibility across the organisation. But particularly important again, I think, is the role of

the one-to-one officers, because they are in a very strong position to be able to prevent debt. Also, their ability to inform people of what their responsibilities are, I think, is critically important. You heard about the seminars, but I think that is reinforced by the one-to-one people. So you could say that was case management, although I do not know that is the proper term. A one-to-one officer is doing that job, but at the same time, in the same process effectively, they are doing, say, debt prevention and also underscoring the compliance role.

Senator WEST—Have you done a breakdown, electorate by electorate, of savings on social security fraud and debt prevention programs?

Ms Vardon—No is the answer.

Senator WEST—Why, then, am I able to read in the *Wagga Daily Advertiser* of 9 October a press release from Mrs Kay Hull which states:

More than \$160,000 has been saved in the Riverina by the Federal Government's social security fraud and debt prevention programs ...

“The Government's responsible commitment to providing people's entitlements has saved taxpayers almost \$17.4 million a week nationally,” Mrs Hull said.

Mrs Hull said Centrelink reviewed 9622 people in Wagga from June 1, 1999 to June 30, 2000 leading to 1113 payment reductions or cancellations.

She said while most people receiving Centrelink payments were genuinely in need of assistance, there were a number who were rorting the system.

Centrelink's data matching activities led to 4466 local reviews in Wagga and through Centrelink's review activity the people of Wagga were saving \$111,403, the MP said.

It goes on. I am just wondering how those figures are arrived at.

Ms Vardon—Our local managers would be able to provide that kind of information. It is part of their standard reporting, so an office can do it. You asked whether we did it by electorate, implying an overall analysis of electorates. The answer is no, we do not. But a local office could provide information about that area which is bordered by their boundaries, which probably would not overlap with an electorate boundary exactly, but any manager should be able to deliver that.

Senator WEST—And there are no privacy problems with that?

Ms Vardon—No, because nobody is named.

Senator CROWLEY—Can you just remind me again: out of those figures, or in general, what percentage is fraud, what percentage is overpayment by you and what percentage is overpayment because they did not tell you?

Ms Vardon—Just a minute. We will get you the right answer on that.

Senator WEST—While you are looking for those figures, can you tell me how many people lost money because of Centrelink's failure to correctly record, and how many of those breaches perhaps were because of Centrelink failure or fault?

Ms Vardon—We will answer your first question first.

Mr Gibson—The first question was in the context of the compliance review announcement. There was a reference in there to debt as well. The only debts that are referred to in that context are those debts that arise out of the review work done by the detection people. So in terms of the overall debt recovery process, it is a subset of debts. It is not all the debts. That sort of leads into your next question: how much is fraud and how much is not

fraud? I might hand over to Ray to answer that comment. The judgment about fraud or non-fraud is not a judgment that is made in the context of debts.

Mr White—Generally the fraud is regarded as that activity that we refer on for prosecution activity. So it is generally fairly minimal numbers.

Senator CROWLEY—I think that is right. So that is why headlines that say ‘We have recovered X million dollars from fraud and debt collections’ give one to suspect that they are all frauds out there.

Senator WEST—When in fact that could be debt collection or it could be debt collection because of a mistake by Centrelink.

Senator CROWLEY—I just would like to be reminded of what percentage is genuinely deserving of the title ‘fraud’. If you collect \$100, how much of that is fraud? Five per cent? Two per cent?

Mr Gibson—I go back to where you were before about how much is fraud on the debt collection side and how much is our error. All of these debts you are talking about here are debts that arise as a result of, say, a data matching exercise. It does not necessarily pick up those debts which are the result of a Centrelink error. There are certainly debts that result from Centrelink error, but they are not in those figures.

Senator WEST—I want to know where they are. I could not find them anywhere.

Senator CROWLEY—Just tell me again before we forget how much is fraud.

Mr White—There are a large number of the debts that could potentially be fraud. What gets referred to the DPP are those cases where they have a good chance of getting a conviction. But also we are tied by resources in terms that we do not need to tie up the courts with trifling amounts of money. In fact, about 80 per cent of the debts that we raise are under \$1,000, but within that there could be elements of fraud. For that level of debt we feel it is not worth pursuing that through the court system.

Senator CROWLEY—So you have given away a little bit. What are you keeping?

Ms Vardon—We still reclaim that \$1,000.

Senator CROWLEY—I am sorry; I should not be flippant. The night is but late. However, you are not going to call it fraud? If someone has been salting it away over 10 years and they are up to half a million dollars and they have been consistently at it, I think most of us are not going to have too much trouble suggesting that this was intentional and it was very wicked.

Senator Newman—But there are many more than the 2,500 to 3,000 people that we take through the courts. I am fascinated by the fact that we seem to be fixated on that number of people that go through the courts. That might be the DPP’s assessment of what they believe is worth taking through the courts, but in fact, as there are increasing numbers of people on any kind of payment, one would expect that the proportion of cases that would go to the DPP should grow, in my view. We have heard from the officers tonight, and I think I have told you before, that that is by no means all the fraud and even serious fraud that is taking place. But there are arbitrary sorts of rules by which the DPP will accept cases and therefore people think that is all the fraud there is, and it is quite definitely not the case.

Ms Vardon—The majority of people who get a debt have failed to inform us of their changed circumstances, and a lot of those people do that deliberately.

Senator CROWLEY—You have told me about all these fine distinctions and definitions. That is great, but what are you bidding? Out of \$100, what of that is down to fraud, even if you did have to go to the DPP to get it? What is it? Five per cent?

Ms Vardon—We could not answer your question.

Senator CROWLEY—What percentage of the money is fraud?

Mr Bashford—It is impossible to tell.

Ms Vardon—How do you go to the motives of someone who has failed to tell you that their circumstances have changed?

Senator CROWLEY—You tell me that you call it fraud if there is a successful prosecution by the DPP. What money do you get back? We do not want to know how many of the little parcels of \$1,000 is really fraud. I want to know what money in your debt recovery you call money recovered from fraud.

Mr Gibson—We do not refer to any money in the debt recovery as money relating to fraud. Where you tend to get the references to fraud is in connection with the debts associated with reviews.

Senator CROWLEY—The minister does. The minister often tells us about how much money has been recovered from fraud and in debt recovery. The word ‘fraud’ is mentioned.

Senator Newman—I always say ‘fraud and non-compliance’.

Senator CROWLEY—Yes, you do, minister. I want to know how much is fraud.

Ms Vardon—The answer is: we cannot tell you, either. But we would certainly support the minister’s position, which is that of these people who fail to tell us the circumstances, many deliberately fail to tell us the circumstances but, because they are under \$1,000, we do not actually prosecute them. But there is a mix in that group—some incidentally or accidentally. Some say that it is a fair cop—‘I was got because I have not told you there was a change of circumstances’—and some very deliberately keep away extra earnings that they are having. They keep them quiet. They are working on the black market or something. So it is a continuum from genuine failure to inform us of change of circumstances right through to—

Senator Newman—Multiple identity.

Ms Vardon—And in that continuum, where do you chop it and say that it is fraud? It can be anywhere.

Senator CROWLEY—Where do you chop it?

Mr Bashford—We do not classify it at all.

Senator CROWLEY—You do not classify it?

Ms Vardon—This is for the small ones—under the \$1,000 debts—but we acknowledge that there is fraud in it.

Senator Newman—So if it goes below the \$1,000—

Senator CROWLEY—I am going to have to ask the auditor to come in and have a look and say, ‘Come back and try to answer the senator’s question.’ What are you calling fraud? Just that you know that some of it is fraud? One-quarter of it is fraud? Five per cent of it is fraud? Ten per cent? What is your best bid?

Senator Newman—I think that is an unreasonable question to ask, frankly, because they have already said to you that there is fraud in amounts of less than \$1,000 and that those are

the majority of amounts that are in this box, if you like. So if it goes right down to there as well as right up to many tens and sometimes hundreds of thousands of dollars, you have got an enormous range. But how can you tell precisely how many because for some it will be all fraud in a \$1,000 package and for some there might be a small element of fraud and then the rest are a genuine mistake.

Senator CROWLEY—What percentage of debt is recovered by your data matching and by repayment of overpayment?

Mr Gibson—Of the total debt raised last year of \$795 million, \$301 million was debt associated with reviews.

Senator CROWLEY—Yes. That leaves \$490 million, or thereabouts.

Mr Gibson—Approximately, yes.

Senator CROWLEY—And what is that down to?

Mr Gibson—It is down to a whole range of other possibilities in terms of why debts are recovered—everything from someone walking through the door saying, ‘Look, I think I have made a mistake,’ through to—

Senator CROWLEY—I know all of those things. I wanted to get a bit of a handle on what debt is recovered from overpayment by Centrelink and what debt is recovered from people not telling you or when they are asked questions and have been reviewed and are then correcting it. Then I will be able to work out roughly what is left.

Mr Gibson—Of the debts recovered last year, 62.8 per cent of the total debt recovered resulted from customers having a change in their income or other significant circumstance; 18.4 per cent was due to the recovery of compensation payments; 6.4 per cent was due to internal adjustments; that is, as people move between payment types; 2.2 per cent was the result of duplicate payments usually related to a systems error; 4.5 per cent was the recovery of lump sum advances; and 5.7 per cent, the balance, was a whole range of smaller reasons such as paid after death, et cetera.

Senator CROWLEY—Right. Thank you.

Mr Whelan—We managed to provide you with some information about some work we are doing in this area which may be of assistance to you in the future and I might ask Judy Raymond to talk to you about that.

Senator CROWLEY—Okay.

Ms Raymond—As Ms Vardon and Mr Gibbon have said, it is very hard to determine out of the people who do not disclose changes in circumstances what element is fraud and what element is not understanding their obligations, et cetera. We are currently undertaking a fairly large survey of 1,200 people who have actually had a data match between EDFs—the employment declaration forms—and Centrelink, over the last 12 months. We are having AC Nielsen undertake this research on our behalf and we are interviewing these customers to find out why they did not declare their changes of circumstances. So out of that, we should be able to get some idea of, ‘Yes, we deliberately did not tell Centrelink because we were in dire financial circumstances at the time. We thought it was worth a risk. We knew Centrelink would catch up with us some time, so it was an interest free loan.’ Those sorts of things are the results that we are hoping to get out of it.

Senator CROWLEY—I think that, given the hour, if there is anything further, can we ask you to provide that on notice?

Ms Raymond—Yes. The research is being undertaken right now and the result will not be available until probably February/March next year. But we will certainly make them available when they are.

Senator CROWLEY—Thank you very much.

Ms Vardon—If I may—noting the hour—just mention one other thing that will be of assistance. Earlier, you were asking questions about the link between breaching and whether that caused financial disadvantage and impact on emergency relief payments through community agencies. There has been a study which was released in October by the Smith Family, which we are happy to make available, where they did a survey throughout rural and urban New South Wales of the reason why people came to seek emergency relief payments through the Smith Family. Among those circumstances, they included social security breach as one of the reasons and two per cent of the claimants were seeking assistance as a result of a breach of their social security payments. I am happy to give you a copy of the report. It is just one more piece of recent information.

Senator WEST—Can we move on from that? I am wanting to talk about market research. Can you confirm that Roy Morgan Research is currently undertaking a wave of customer satisfaction research?

Ms Vardon—Yes.

Senator WEST—Did that include a question asking Centrelink customers how they would feel about a private organisation delivering pensions and benefits?

Ms Vardon—This question—it is just in front of me somewhere, the exact question that is being asked—is the same loyalty question that we talk about all of the time, which is to test whether or not people are more satisfied with the service that we are giving.

Senator WEST—Has it always had how they feel about a private organisation delivering pensions and benefits?

Ms Vardon—I just may have to check with someone about the changes in the wording. I beg your pardon, we do have the question. I will read you the question. The question on customer loyalty is asked as part of Centrelink's customer satisfaction survey program every six months, in May and November. This question was asked for the first time in November 1998. The question asked is, 'If one or more other organisations could provide you with the payments and services you are receiving, would you use one of these organisations instead of Centrelink? If other organisations could also provide you with payments and services you are receiving from Centrelink would you use any of these organisations instead of Centrelink?' That is an internal question that we sought to be asked to see whether or not we were improving our services such that people would choose us at all times. In fact, it is the question that we are happiest with because we have gone up quite significantly with people saying yes.

Senator WEST—Is it possible to have a full copy of the latest survey and the results when it is available?

Ms Vardon—Yes, in fact, we are really delighted for you to have a look at the results because we have had a 10 per cent increase in customer satisfaction in the last six months.

Senator WEST—Right, okay! Can we inquire about privacy breaches? How many have been referred to the Privacy Commissioner since the May estimates?

Ms Vardon—Yes, we can answer that question for you.

Senator WEST—I am after the details of the nature of each of these breaches and the number of people affected.

Ms Vardon—Mr Luke Woolmer will give you the answer to that.

Mr Woolmer—I am sorry, I did not catch the last part of that—

Senator WEST—The nature of each of the breaches and the number of people affected.

Mr Woolmer—Since last estimates?

Senator WEST—Yes.

Mr Woolmer—There have been 38 incidents involving the mail houses involving 48 individual customers. There have been 79 incidents from customer service centres involving 199 customers, and there have been three other incidents which have been reported to the Privacy Commissioner since the last estimates hearings.

Senator WEST—How many of those have you reported and how many have been reported by the recipients of the breach, for want of a better word?

Mr Woolmer—We have a rough figure on that. Traditionally the breakdown is about 61 per cent by customers to Centrelink and about 40 per cent—this is macro statistics on an annual basis; it is about 60:40—internal and about 60 per cent of all of our allegations, I would say, which differ from substantiated cases.

Senator WEST—When a serious breach occurs, you have a policy of referring these to the Privacy Commissioner. What happened with the disability newsletter—that particular breach?

Mr Woolmer—The disability magazine was an internal error. It was brought to our attention late on a Friday evening. We balance these things on risk. Because there was an unknown risk on that evening, we immediately changed and enforced national POI—proof of identity—procedures and enhanced them by asking extra questions over our counters and through our call centre arrangements over that weekend. So they were enforced, ready for opening of business on Monday morning. We immediately commenced an investigation into the matter. Internally, my privacy officers matched up with our internal audit staff to produce a report. We have some recommendations which have been implemented from that report. We have now got dual sign-offs for areas and we are very, very hopeful we will not have a recurrence of that.

Senator WEST—Hang on, I thought that about 700,000 people got this newsletter.

Ms Vardon—It was 840,000.

Senator WEST—It was 840,000? Okay. You have just given me figures that mail centres had 38 breaches with 48 people, customer service centres had 79 breaches with 199 people, and there were three others. What category does the 840,000 fit under?

Mr Woolmer—That was one of the three that I have put under the category that we reported to the Privacy Commissioner immediately.

Senator WEST—So that was in the ‘others’, was it?

Mr Woolmer—That was one of the ‘others’.

Senator WEST—You did not tell me it had 840,000 people involved. That included people’s client reference numbers in the address label, didn’t it?

Ms Vardon—The address label had the client reference number and another number. In fact, there were two numbers put together.

Mr Bashford—It was not readily identifiable as such. How many complaints have we had?

Mr Woolmer—To the best of our knowledge there have been zero incidents of complaint about payment rates, and we have had two or three individual complaints at the time, and they were in the days after about the mail-out incident. When I spoke before about the materiality, the number was scrambled with other numbers and was used by the mailing house for generation of the label. There was no Centrelink defining information on the outside of the envelope.

Senator WEST—There was no Centrelink letterhead on the envelope?

Mr Woolmer—No, the envelopes were blank white envelopes.

Senator WEST—What about the gentleman whose hepatitis status appeared on a letter?

Mr Woolmer—I do have some information on that gentleman. He has made an allegation that Centrelink provided to the Job Network members information about him. We collect that information through various means but subject to their consent. We have investigated the incident and apologised to that particular customer. We have reinforced the correct procedures at that actual CSC. The contract between the department and the Job Network members in these circumstances explicitly contained clauses. That particular individual has been in contact with us. We have been in contact with him and I believe the matter is resolved to his satisfaction.

Senator WEST—What is the Privacy Commissioner saying to you?

Mr Woolmer—In regard to?

Senator WEST—All these breaches—840,000 in one hit is not bad!

Mr Woolmer—The Privacy Commissioner in that particular case has responded—and I will just make sure I get the words exactly right—that the Privacy Commissioner is satisfied with the actions taken in response to the incident and that the Office of the Privacy Commissioner do not propose to investigate the matter further unless a complaint is received from an affected individual. They regard the matter as closed.

Senator WEST—And the hepatitis case?

Mr Woolmer—The hepatitis case—because of the nature of the information, we have not referred the individual's case to the Privacy Commissioner.

Senator WEST—But the individual has been given the opportunity to take it to the Privacy Commissioner?

Mr Woolmer—Yes. Because of the medical conditions surrounding it, we treat that fairly seriously. We have invited him to do so. If he wishes to, he will, but at the moment I think the matter is resolved to his satisfaction.

Senator WEST—The issue is really of no concern to other potential employers—or should not be. Can I ask about debt collection. Has Centrelink undertaken any research into, or investigated the possibility of, selling Centrelink debts?

Ms Vardon—You mean like a Third World country or something? No is the answer.

Senator WEST—So you have not discussed selling debts to private companies with representatives of the Child Support Agency?

Mr Bashford—The Child Support Agency is not part of Centrelink.

Senator WEST—So you are telling me a definite no? Can we move to 3.1? I think that just about finishes Centrelink for the night.

CHAIR—Are there no more questions on Centrelink?

Senator WEST—No, I think Centrelink can go home.

CHAIR—We will put a few questions on notice. Did you want to move to 1.3 or 3.1?

Senator WEST—It is 3.1. We will not ask anything on 1.3.

CHAIR—Sorry, you also had 1.4 down here.

Senator WEST—Yes, but I will not do a great deal on that. Can we do 3.1 first, please?

CHAIR—I call officers for outcome 3.1, Labour Market Assistance.

Senator WEST—Everybody else except 3.1 and 1.4, I think, can go home, unless somebody else has got—

CHAIR—Senator Gibbs has got questions on 3.3.

Senator GIBBS—I am happy to put them on notice.

CHAIR—If the officers for 3.3, Carers, would like to also go home, Senator Gibbs has said that she will put her questions about carers on notice. Thank you for your time.

Senator WEST—My question relates to preparing for work agreements. I would appreciate a brief description of the operation of PWAs.

Ms Winzar—When you say you would like a description of the preparing for work agreements, is that just in terms of how the process actually works and what they are intended to do?

Senator WEST—Yes.

Ms Winzar—Since July this year, all new claimants for the Newstart and Youth Allowance who have an activity test requirement as part of their new grant interview are required to sign a preparing for work agreement. The preparing for work agreement sets out a number of things—their obligations and the sorts of activities that they will undertake to meet their activity test requirements. So, for example, it might spell out the numbers of jobs they have to look for in a fortnight. It might indicate whether they have to seek work outside their normal occupation. It might require them to pursue part-time work as well as full-time work, et cetera. So it is essentially a document that the customer takes away from that new grant interview that sets out exactly what they are going to do to find a job. In addition to that, customers are also advised at that new grant interview what their mutual obligation requirement will be if they are on payment for, in the case of younger people, six months or more and, in the case of older people, 12 months or more, and it will flag to them that they will have to choose an activity additional to Jobsearch at that point in time.

Senator WEST—Does this incorporate obligations that previously attracted administrative breaches into the activity breach net?

Ms Winzar—I think what you are referring to there is that when the Job Network was introduced appointments with Job Network members became activity test requirements as opposed to administrative requirements. That change did not come about because of the preparing for work agreement per se.

Senator WEST—So will this allow transgressions to be penalised for first offence without warning?

Ms Winzar—It will not result in any change to the previous breaching arrangements.

Senator WEST—Do you expect the number of third party breach penalties to increase with this?

Ms Winzar—No, I would not. In fact, what I would be hoping is that, because customers have a much clearer idea from that very first new grant point what their obligations will be, the number of people who do breach will be reduced, because I would expect a greater level of compliance from customers because they understand their obligations better.

Senator WEST—Do Centrelink's business partner agreements with FAC contain any key performance indicators relating to breaching?

Ms Winzar—Yes. We have a number of pieces of performance information that we use to monitor Centrelink's application of the activity test and certainly breaches are included in that as well. Slightly different to the benchmark that you were discussing with Centrelink before, the way that we monitor Centrelink's performance in relation to labour market requirements from FAC is that we benchmark against Centrelink's performance over the previous 13 months. So essentially we are comparing their performance in the last two months to the 13 months before that so that we can reflect any external changes to the environment such as the changing labour market or such as changes in customer numbers.

Senator WEST—And there is a breaching indicator in there?

Ms Winzar—There is. What we monitor is the number of customers who have a breach, either an activity test or an administrative breach. We also monitor the numbers who have breaches initiated by Job Network members, community work coordinators or Centrelink. We look at the number and proportion of breach recommendations imposed and revoked and we also look at the percentage of review and appeal decisions that relate to breaching.

Senator WEST—What has happened to the number of breaches applied by FAC since 1996?

Ms Winzar—FAC itself does not apply breaches, because, of course, we deliver our programs through Centrelink.

Senator WEST—Okay. What has happened to the number of breaches applied to FAC clients since 1996?

Ms Winzar—I do not know that I can take you right the way back to 1996, but certainly in 1996-97 there were 113,100 breaches imposed. That is a combination of both activity and administrative breaches. In 1997-98 the figure was 120,718. In 1998-99, there were 164,900 breaches imposed. We do, however, believe that that was an undercount of around about 48,000 breaches because of the way the Centrelink computer system was set up until that point. We actually believe that the true figure for 1998-99 should have been closer to 213,000.

Senator WEST—What about in 1999-2000?

Ms Winzar—The figure for 1999-2000 is the one you were talking about earlier—302,494 breaches were imposed.

Senator WEST—How do you explain the increases?

Ms Winzar—There are a few things that I believe have driven the increased numbers. One, of course, was the introduction of the Job Network, which has increased the number of breach recommendations and the number of breaches imposed. The other is the continuing strength of the economy. As I indicated earlier, the fact that breaches are much higher in

capital city areas I think reflects—particularly in the last two years—the additional jobs that have been around and, of course, it also reflects perhaps a lower level of tolerance for people who do the wrong thing. The third thing which I believe has driven breaches, particularly in relation to younger people, is of course the introduction of mutual obligations and Work for the Dole in 1998.

Senator Newman—Could I add one more thing that I think should be added there? I think the change that went through the Senate—was it a couple of years ago?—to move from first breach and you were cut off payment altogether to a phased reduction for the first and second breaches and then cut off on the third breach had the potential—and I believe it must be showing up in some of these figures—that people in Centrelink were more ready to breach people than they had been before when their only alternative was to take people off payment altogether. So I think the reductions in payments has given people in Centrelink the feeling that they can and should enforce the law. The advice that came to me before we introduced that legislation—and we talked about it in the Senate at the time—was that although it was the law to breach people in these circumstances, because it was a 100 per cent cut in pay, people were not enforcing the law.

Senator WEST—How many breaches do you expect to be applied this financial year—that is, administrative and activity—and how many people do you think will be affected?

Ms Winzar—I must say I have not made any projections of the number that I expect to be applied this financial year.

Senator WEST—How many of last year's—we have been through that—were overturned on appeal?

Ms Winzar—In terms of the numbers that go through to the Social Security Appeals Tribunal and the AAT, less than one per cent of those were overturned on appeal.

Senator WEST—Can you tell me how many breaches have been applied since 1 July this year, activity and administrative?

Ms Winzar—So far this financial year, 40,592 activity test breaches and 23,055 administrative breaches. Sorry, just to clarify that, that is for the first two months of this financial year.

Senator WEST—So that is just July and August?

Ms Winzar—Yes.

Senator WEST—And you have not seen any difference/change from about the one per cent overturning on appeal?

Ms Winzar—No.

Senator WEST—Last year we went from 30 per cent to 38 per cent. Was it 30 per cent of breaches being changed the previous year?

Ms Winzar—It was actually a little lower than that. If you will bear with me, I will see if I can find that data for you. In fact, I think that what has happened is that fewer breaches have been imposed proportionally in the last financial year than in the financial year before that.

Senator WEST—So you do not expect to see the 38 per cent again; you would expect to see back to the 30 or so being internally overturned?

Ms Winzar—It depends on quite a few factors. Some of the breaches that arise out of the Job Network—for example, the breach recommendations that arise—are overturned or not

imposed because the person has changed address or because they have already gone back to work or because they may have even moved out of the state. We do have some refinements to those two computer systems, the one that supports the Job Network and the one that supports Centrelink, to try to get that interface working a little better. Hopefully those changes, which I understand are due to come in in both December and next March, should improve the quality of the information that is passed between the two systems and thus reduce the number of recommendations from Job Network which are not then imposed by Centrelink.

Senator WEST—If someone appeals their decision, what happens to them? Is the breach maintained until the penalty is found to be in error or—

Ms Winzar—My understanding is that where somebody has appealed to the Social Security Appeals Tribunal or the AAT, we have arrangements for people's payment to continue pending that review. But perhaps Ms Fleming could clarify that for you.

Senator WEST—What about if it is going to be one that is being dealt with internally, part of the 30 or 38 per cent or however many.

Ms Fleming—Ms Winzar is right in that, where an appeal is made to the SSAT, in certain circumstances payment can continue pending the hearing of the appeal.

Senator WEST—What are those circumstances? Do you have a list of—

Ms Fleming—The social security law does provide that—it is to do with activity agreements, from memory—a person can seek payment pending the SSAT hearing the matter, and that applies both for Newstart allowance and Youth Allowance.

Senator WEST—What is the average waiting period for breach appeals conducted by the authorised review officer?

Ms Winzar—I do not have that information, but I will take that one on notice.

Senator WEST—Okay, thanks. What resources are expended in the review processes of breaches—staff hours and costs? Do you have any idea?

Ms Winzar—In terms of the review activity?

Senator WEST—Yes.

Ms Fleming—We would have to take the ARO component of that on notice. I might take the opportunity, though, to go back to a question that had been asked earlier about the appeal time for the SSAT to hear matters. The appeal time between registration of an appeal till finalisation did reduce last financial year from 11 weeks to 9.9 weeks.

Senator WEST—How much did the application of breaches save the government last financial year?

Ms Winzar—That is a very good question, and I think I might have to take that one on notice, too. I will see if I can find it for you tonight.

Senator WEST—Do you have estimates for this financial year?

Ms Winzar—No, I am afraid I do not have an estimate for this financial year.

Senator WEST—Is it factored into the budget in any way at all?

Ms Winzar—I beg your pardon?

Senator WEST—Is the revenue from breaching penalties factored into the budget?

Ms Winzar—Yes, it is, in the sense that the introduction of the changes to the breach regime in 1997 would have been reflected in the forward estimates, and you may recall that, last budget, with the preparing for work agreement, any offsetting savings from that were also factored into the forward estimates.

Senator WEST—And how much have the savings due to breaches increased since 1996?

Ms Winzar—I do not have that information, but I will certainly take that on notice for you, too.

Senator WEST—Okay. Can you give us a ratio of referrals to places in Work for the Dole, job support and training and intensive assistance, and have these ratios increased over time?

Ms Winzar—That is really a question for Centrelink, because those programs relate to the Department of Employment, Workplace Relations and Small Business and the business that Centrelink does for them in relation to those programs.

Senator WEST—Does FACS breach people for failing to declare earnings where the thresholds paid are less than what the people can actually earn?

Ms Winzar—I think again that might have been one of the things we covered in the discussion with Centrelink earlier. It is Centrelink which imposes the breaches for us. In relation to people failing to declare earnings, my understanding is that people who earn small amounts of money which would not have affected their rate of payment are not breached but are given a warning.

Senator WEST—Can you tell me what the department knows about people who are being breached? You have given us some indication. But do you have the numbers of people who might be falling into some of the at-risk groups—homeless people, people with psychiatric disabilities, indigenous people, people with poor literacy skills, young people, people with drug and alcohol problems and older unemployed? You answered those before, but not all of them.

Ms Winzar—Yes, we did. In terms of indigenous customers, you may be interested to know that, over the course of the last financial year, we had something like 54,500 indigenous customers who at some stage during the year received Newstart or Youth Allowance. Of those, around 10,400 had a breach imposed. So in proportional terms it was about 19.1 per cent. I can give you the aggregate figures. In terms of doing some detailed profile work which would highlight those with, I think the characteristics you suggested were, psychiatric issues, literacy et cetera, I cannot give you a detailed profile of those customers, in part because we rely on people to self-declare and many of those people unfortunately do not reveal their personal difficulties until a breach is imposed and sometimes not until it even reaches the tribunal level.

Senator WEST—If you can give me any information on those I would appreciate it. Has the department conducted any focus groups or polling to test welfare reform proposals?

Ms Winzar—Not specifically around welfare reform proposals. We have as part of an evaluation of the activity test which is now under way explored broad community attitudes towards current activity test arrangements for unemployed customers and also broad attitudes towards extending mutual obligation requirements to other groups.

Senator WEST—Who has been conducting those activities?

Ms Winzar—The research?

Senator WEST—Yes.

Ms Winzar—The community attitude survey work is being conducted by Roy Morgan Research.

Senator WEST—How much was it worth?

Ms Winzar—The cost of the project was \$105,431.

Senator WEST—How was the contract and tender let?

Ms Winzar—It was a select tender process involving about nine consultants.

Senator WEST—Is it possible to have copies of the questions and results at this stage?

Ms Winzar—We have just about finalised the report, but it has not been publicly released yet.

Senator WEST—Is it possible to have copies of the questions at this stage and the report when it is—

Ms Winzar—Yes.

Senator WEST—Thank you. Page 365 of your annual report details a consultancy valued at \$70,000 to Jackson Wells Communications for editing to support the reference group on welfare reform with media management, professional editing, graphic design and print production. How was this agency engaged?

Mr Tune—That was done through selective tender.

Senator WEST—Selective tender?

Mr Tune—Yes.

Senator WEST—Why did this group get it through a selective tender?

Mr Tune—I beg your pardon?

Senator WEST—What were the criteria that enabled this group to get this through selective tender?

Mr Tune—They fitted the brief to the best capacity.

Senator WEST—Were there any other applicants?

Mr Tune—Yes, there were. I will take on notice which ones they were.

Mr Jackson—It was a selective tender with several organisations approached, drawn from the approved list. And this organisation, as Mr Tune said, was regarded as meeting the criteria better than the other applicants.

Senator WEST—What were the criteria they were measured against?

Mr Tune—Basically, value for money is the basic criterion we use in assessing tenders. They were able to meet the requirements we were looking for and were the best value for money—the cheapest price for what we wanted.

Senator WEST—Are you able to tell us who else tendered for the consultancy?

Mr Tune—I will take that on notice.

Senator WEST—Can you tell me who the principals of Jackson Wells are?

Mr Tune—I think there is Grahame Morris, John Wells and Keith Jackson. I think Grahame Morris became a director after this tender was let.

Senator WEST—After the tender was let? How long after the tender was let?

Mr Tune—I think it was a matter of a month or so, something like that.

Senator WEST—When was the tender let?

Mr Tune—I will take that on notice, if I could.

Senator WEST—Okay. When were the agencies invited to tender?

Mr Tune—Once again, I will take that on notice.

Senator WEST—Why did it go out to tender and why was it not done in house?

Mr Tune—We were looking for skills that would actually draw something around the editing of the report to put it in terms that the reference group were happy with and also the launch of the report, which was something a bit different to the normal thing we would do. Whilst we do that on some occasions, on this occasion it was seen as desirable to use some specialised consultants in that area.

Senator WEST—FACS has a number of publications that are produced and released each year. Are those managed in house or externally?

Mr Tune—In some cases we would edit ourselves. In other cases we use external editors. It depends very much on the product we are looking at.

Mr Jackson—A number of those would also be produced through Centrelink. Some of those that you might be referring to would be produced through Centrelink.

Senator WEST—And you do not know whether they produce those in house or externally?

Mr Tune—No, I do not know.

Mr Jackson—It is a mix, apparently.

Senator CROWLEY—I am sorry, I might need to ask you to just back up a little, if that is okay, to the last questions about breaching unemployed people. I believe in answer to the questions from Senator West you did say that you would take on notice some of the questions she asked about, for example, how many were homeless people and so on, the different criteria and what data you could provide. I also wanted to add further to that: have you done any research on the impact of what being breached does to people, particularly to people who are unemployed? Do you know whether it affects the duration of unemployment?

Ms Winzar—No, we do not know whether or not it affects how long people are unemployed, and we are doing some of that analysis as part of the activity test evaluation which is now under way. The only thing I can perhaps point you to is that in 1998 we contracted a market researcher to ask questions of people who are claiming Newstart and we were particularly interested in a group of customers who were reclaiming after they had had their payment cancelled for not meeting their Job Search obligations. We asked them how they had supported themselves during that non-payment period—when the payment had been stopped. Around 36 per cent said that family and friends had supported them, 25 per cent said that they drew on savings, 23 per cent said that they worked, about eight per cent of them had continued to receive a partial allowance, about one per cent had called on charities, two per cent had sold assets, two per cent would simply say it was difficult and they just managed, and there were five per cent who came under either ‘don’t know’, ‘refused’, or ‘other’.

Senator CROWLEY—Would you be able to provide that to us?

Ms Winzar—Certainly.

Senator CROWLEY—Is there any evidence that you have got—I think you said no, but can I just be clear—is there any evidence that you have got, or even a hint of it, that breaching actually enhances or diminishes the ability of clients to be self-supporting in the longer term?

Ms Winzar—We will be looking at that as part of the activity test evaluation, but we are not at the stage where I could give you that information at this point.

Senator CROWLEY—And I am not sure whether Senator West asked, but when will the activity test evaluation be finished by?

Ms Winzar—We are aiming for about March next year.

Senator CROWLEY—And will that be available for our committee when it is completed?

Ms Winzar—I would expect that it would be available, yes.

Senator CROWLEY—I would certainly put in a bid. So if it is, that would be much appreciated. That is all, thank you.

Senator WEST—Can I turn to child-care support very briefly? Let us see what I can get in in 10 minutes. There was a tender let for in-service training contracts in Victoria. I understand it was a decision of the Victorian office of FACS to award the contract. Did the department specify the selection criteria for the tender? I have about 10 or 12 questions, so you might want to take some of these—

Ms Corbett—The in-service training allocations are managed through our state and territory offices. In each of the states and territories, the selection group determines the selection criteria. We do set national priorities but I do not have with me the selection criteria that we used in the Victorian assessment. We could provide that to you on notice.

Senator WEST—Okay. Can you take on notice the national priorities and the Victorian criteria, please?

Ms Corbett—Yes.

Senator WEST—The tender was an open process?

Ms Corbett—Yes, it was.

Senator WEST—Okay. Did the department invite or otherwise encourage any particular organisations to apply?

Ms Corbett—It would be my understanding that that would not be the case.

Senator WEST—Okay.

Ms Corbett—Although there have been some previous providers of in-service training who would be very likely to have approached the department for information on those.

Senator WEST—Can you check for me, please?

Ms Corbett—Yes.

Senator WEST—Why was the decision only notified two weeks after the funding was supposed to commence?

Ms Corbett—Again, I would have to take that on notice.

Senator WEST—Okay. I want to know: why the delay? How is the funding for in-service training being provided at the moment? Under what funding arrangements?

Ms Corbett—The in-service training allocation is part of our broad band of support for child-care services, and the amounts that are determined vary from state to state according to the state's priorities.

Senator WEST—I understand that the University of Ballarat is not ready to commence its program yet.

Ms Corbett—That may well be the case. I am not aware of the proposal in detail.

Senator WEST—So what is happening in the meantime?

Ms Corbett—I would need to take on notice whether the previous provider is still offering in-service training with the funds that they were allocated in the last round. That may be the case, but I would need to check.

Senator WEST—Okay. Who were the members of the selection panel?

Ms Corbett—It would have been a group of staff from the state office of FACS in Victoria.

Senator WEST—Okay. Do you know if anyone other than the panel participated in the decision making process or expressed a view to the panel about the relative merits of the bidders?

Ms Corbett—I am not aware of that. Again I can take that on notice for you.

Senator WEST—Okay. Did the member for Ballarat or his staff or anyone else acting on his behalf have input into or participation in the decision making process or express a view to the panel about the relative merits of the bidders?

Ms Corbett—I am not aware of that, but again, I will take that on notice.

Senator WEST—Okay. Minister, did you or your personal staff have input or participate in the decision making process or express a view to the panel about the relative merits of bidders?

Senator Newman—Not that I can recall, but I can check for you.

Senator WEST—Please do, thank you. Did the Minister for Community Services or his personal staff have input or participate in the decision making process or express a view to the panel about the relative merits of bidders?

Senator Newman—I cannot say that I know.

Senator WEST—Take it on notice, please. Did anyone from the national office of FACS have input or participate in the decision-making process or express a view?

Ms Corbett—Beyond the setting of national priorities for our in-service training program, no, not that I am aware.

Senator WEST—Okay. Who submitted proposals? Is it possible that you can tell us who submitted the proposals?

Ms Corbett—I think that would be possible to let you know.

Senator WEST—Okay. I am presuming that we would not be able to have copies of the proposals?

Ms Corbett—No, I would not have thought that would be appropriate.

Senator WEST—No, but I can put a feeler up. On what date was each application received?

Ms Corbett—Again, I will take that on notice.

Senator WEST—And what records did officers make of verbal and written communications with each bidder?

Ms Corbett—I will have to take that one on notice.

Senator WEST—And if it is possible to have copies of those files, please. I think that I might leave it there, because if we get into some other subject, it is going to run over five minutes—unless somebody has something else for five minutes. There is a whole lot more that will go on notice, but we just need to—

Senator Newman—About child-care or is it about another subject?

Senator CROWLEY—Just hold on one moment. Now that we have got high-tech, I think it is actually under 3.4, Savings Bonuses. I particularly want to ask about a blow-out in the cost of the bonus—a \$550 million blow-out in the bonus cost. Can you explain why that occurred?

Mr Tune—Yes. The reason is basically that the average bonus is higher than was initially estimated. We think that the number of people who will receive a bonus is about right, but we originally based it on an average bonus payment of about \$672 per person. The information we have to date from the 1.8 million bonuses that have been paid is that the average rate is \$921. So in the light of that information we now have to hand, some additional money has been allocated in the MYEFO.

Senator WEST—How many people had to apply twice?

Mr Tune—I do not think that it is a matter of people having to apply twice.

Senator WEST—Applied for a top-up, or whatever it is called.

Mr Tune—Some people have been eligible for a top-up. Sorry, we do not have that number with us at the moment.

Senator WEST—Will you take it on notice?

Mr Tune—We will take it on notice.

Senator Newman—I would like to put this information. I know that in my own state there was a campaign by the local member to complain to the government about it. When we answered—or when I answered—a number of the letters, it was with a recommendation to somebody that perhaps it would be a good idea if they applied because it looked as if they might be eligible, but the scare campaign had actually frightened them off even bothering to apply.

Senator WEST—It is too late in the night to get into an argument about scare campaigns.

Senator Newman—No, I am just telling you that I have been signing letters to that effect. So you can take it or leave it.

Senator CROWLEY—We will let it go through to the keeper. I was going to ask about the people who told us about how sad they were. Can you tell me how many received a payment of \$1?

Mr Tune—In relation to the aged persons savings bonus, 43,255 people received \$1. In relation to the self-funded retirees supplementary bonus, 565 people received between \$1 and \$20.

Senator WEST—Can you give us a breakdown on bonuses maybe in \$50 brackets and the numbers of people, please?

Mr Tune—Yes, we can. We will take it on notice.

Senator WEST—You took it on notice last time. I want to actually sit down and do some comparison work on it.

Mr Tune—Certainly.

Senator CROWLEY—Did any bonus recipients send back their bonus cheques?

Mr Tune—Yes, 686 people have returned their bonuses.

Senator WEST—This is \$1?

Senator CROWLEY—To what amount?

Mr Tune—I am not sure how much it was. I have a bit of information here. It varies. Some people sent a personal cheque back, some people sent some coins, some people sent stamps, some sent money orders. I think one person sent a scratchie ticket. I am not sure of the value of the scratchie ticket.

Senator WEST—Did you rub the scratchie ticket and win some more money?

Mr Popple—It was only for \$2.

Senator WEST—But you might have won \$25,000.

Mr Popple—Sorry, it had been scratched and it was for \$2.

Senator WEST—So you can go and claim the prize.

Mr Popple—It is on file.

Senator CROWLEY—What did FACS do with the cheques, stamps, et cetera?

Mr Tune—The personal cheques have been put on a secure file, along with the stamps and the scratchie.

Senator CROWLEY—A secure file?

Mr Popple—Yes. The returned cheques have been cancelled. So cheques that the government sent out have been cancelled, and the coins and money orders have been banked.

Senator WEST—So DOFA and Treasury have not got their sticky fingers on some of it yet?

Senator CROWLEY—What do you do with the secure file, Mr Tune?

Mr Tune—I assume it remains secure for a long time.

Senator CROWLEY—What is the value of it? About \$600?

Mr Tune—No, I do not think it is that much. Can I take that on notice? I have some information here but I cannot add it all up quickly.

Senator CROWLEY—Could you please take on notice what you do with the secure file? I am terribly glad that it is secure. Should we write to people and say, 'If you wish to insult the department in the future, please send a money order and not a cheque'? Is that what I can assume from what you have just said, Mr Tune? They have cancelled the cheque and, therefore, the gesture, but you have kept the money orders?

Mr Tune—Yes.

Mr Popple—We do not bank the cheques, no.

Senator CROWLEY—I thought Mr Tune said you cancelled them.

Mr Tune—These are the cheques that were sent out to people. So they are government cheques.

Senator CROWLEY—They sent the cheque back.

Mr Tune—They sent it back so we just cancelled it. So it is not a charge on the Commonwealth fund.

Senator CROWLEY—So that cheque has not been put in the secure file?

Mr Tune—No, they have been cancelled. So they are no longer operational.

Senator Newman—Anyway, I am glad you thought there were some who were cross at having missed out who had not even tried and then were delighted when they found they had some money.

Senator WEST—There were a hell of a lot who were cross when they found out that they could not get the money, too.

Senator Newman—It is pity if they were frightened off without even trying.

Senator WEST—No, these ones tried.

Senator TCHEN—Mr Tune, while you are collecting those figures, are you providing the aggregate number of people who actually received money?

Mr Tune—I think Senator West or Senator Crowley asked for the breakdown.

Senator TCHEN—I was just wondering whether you might go through your department's files to see whether the previous government ever gave any bonuses to anyone?

Mr Tune—I am not aware of any.

Senator CROWLEY—In relation to the age pension, can you explain—and I would be happy for you to take these on notice—the two per cent claw back of pension benefit adjustments in March 2001?

Mr Tune—Sorry, I missed the question.

Senator CROWLEY—I want to talk about the likely indexation and GST claw back for pensioners in the March adjustment. Can you explain the two per cent claw back of pension or benefit adjustments in March 2001?

Mr Tune—The four per cent increase that was given to pensioners on 1 July was an advance payment in effect, based on the anticipated amount of inflation as a result of the GST plus a two per cent real increase. That anticipated amount—the first two per cent I mentioned was the anticipated amount—will flow through automatically as the impact of the GST is reflected on the CPI. To ensure that people do not get it twice, once in advance and once again in March as it flows through to the CPI for the final six months of this calendar year, it is necessary to pull it back. So you still end up with a two per cent real increase; the pensioners are always two per cent better off as a result of it.

Senator CROWLEY—How much will you be getting back per pension?

Mr Tune—You do not get it back, it is just not as big an increase as they otherwise would get.

Senator CROWLEY—They will probably be aware of that, will they?

Mr Tune—There has been a lot of publicity about that in areas like the *Age Pension News* and so forth.

Senator CROWLEY—How much do you expect the March 2001 adjustment will actually add to the single and couple pension rates?

Mr Tune—We do not actually know at this stage because we need to wait for the December quarter CPI before we can actually work that out. We know the September one, so we know half of the picture. But we need to know what is going to happen in the next quarter. We will not know that until around January. So it is a bit hard to explain.

Senator CROWLEY—We will come back to that in the next estimates.

Mr Tune—Certainly.

CHAIR—I thank the minister and all the officers of FACS, Hansard and the secretariat. I declare the meeting closed.

Committee adjourned at 11.04 p.m.