



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

COMMUNITY AFFAIRS LEGISLATION COMMITTEE

Consideration of Additional Estimates

TUESDAY, 20 FEBRUARY 2001

CANBERRA

BY AUTHORITY OF THE SENATE

SENATE
COMMUNITY AFFAIRS LEGISLATION COMMITTEE
Tuesday, 20 February 2001

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

Senators in attendance: Senators Calvert, Denman, Eggleston, Evans, Gibbs, Knowles, Tchen and West

Committee met at 9.08 a.m.

HEALTH AND AGED CARE PORTFOLIO
In Attendance

Senator Vanstone, Minister for Family and Community Services
Executive

Mr 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

Portfolio Strategy Division

Ms Chris Harrington, Director, Policy Mr Robert Wooding, First Assistant Secretary
Ms Virginia Hart, Assistant Director, Budget Branch
Ms Robyn Forster, Senior Manager, Budget Branch
Mr Paul Fitzgerald, Assistant Secretary, Information and Research Branch
Mr Bob Eckhardt, A/g Assistant Secretary, Policy and International Branch & International Branch

Corporate Services Division

Mr Neville Tomkins, First Assistant Secretary
Ms Wynne Hannon, Head, Legal Services
Ms Jan Feneley, Assistant Secretary, Public Affairs, Parliamentary and Access
Mr Peter Moran, Assistant Secretary, Contestability Branch
Mr Vipin Mahajan, Director, Contract Management Unit
Mr Phillip Jones, Assistant Secretary A/g, Business Systems Branch
Mr Andrew Wood, Assistant Secretary, Staff Support & Development Branch
Mr John Littler, A/g Assistant Secretary, Financial Management Branch
Ms Julie Fox, Legal Services

Outcome 1 – Population Health and Safety

Population Health Division

Mr Brian Corcoran, First Assistant Secretary, Population Health Division
Prof John Mathews, Head, National Centre for Disease Control
Mr Greg Sam, Assistant Secretary, Communicable Diseases & Environmental
Ms Judy Blazow, Assistant Secretary, Primary Prevention & Early Detection Branch

Ms Sue Kerr, Assistant Secretary, Drug Strategy & Pop Health Social Marketing
Ms Marion Dunlop, Assistant Secretary, National Population Health Planning Branch
Ms Laurie Van Veen, Director, Population. Health Social Marketing Unit
Mr Peter Brooks, A/g Director, Immunisation and Vaccine Preventable Diseases
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
Mr Paul Cramer, Research Manager, Research & Marketing Group
Ms Georgia Tarjan, Director, Primary Prevention Section
Mr Stephen Lowes, Director, Financial Management Unit
Ms Sarah Major, Director, Bowel Cancer Screening Taskforce
Mr Rod Schreiber, Financial Management Unit
Ms Carolyn M. Smith, Director, Food Policy Section

Therapeutic Goods Administration

Mr Terry Slater, National Manager
Ms Rita MacLachlan, Director, Conformity Assessment Branch
Mr Pio Cesarin, A/g Director, Chemicals & Non Prescription Medicines Branch
Ms Liz Cain, Director, Interim Office of Gene Technology Regulator
Dr Leonie Hunt, Director, Drug Safety Evaluation Branch
Dr Albert Farrugia, Manager, Blood and Tissue Services
Dr Susan Alder, Principal Medical Advisor
Brian Priestly, Scientific Director, Chemicals And Non Prescription Medicines
Dr Fiona Cumming, Director, Office Complimentary Medicines
Dr John McEwen, Director, Adverse Drug Reaction
Ms Elizabeth Flynn, Director, Legal and Policy Unit
Mr Neil Ellis, A/g Director, Monitoring and Surveillance Unit
Dr Peter Thygesen, Assistant Director, Evaluation Unit

Australia New Zealand Food Authority

Mr Ian Lindenmayer, Managing Director
Dr Marion Healy, Chief Scientist
Mr Peter Liehne, General Manager, Standards
Ms Claire Pontin, General Manager, Strategy and Operations
Mr Greg Roche, General Manager, Safety, Legal and Evaluation

Australian Radiation Protection and Nuclear Safety Authority

Dr John Loy, ARPANSA

Health Insurance Commission

Dr Brian Richards, General Manager, Information Management Division
Ms Lisa Paul, 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 & Financing Division

Dr Louise Morauta, First Assistant Secretary

Mr Alan Keith, Assistant Secretary, Diagnostic & Technology Branch

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

Ms Jennifer Badham, A/g Assistant Secretary, Better Medication Management System Tkf

Mr Ian McRae, Assistant Secretary, Medicare Benefits Branch

Mr Alan Stevens, A/g Assistant Secretary, Pharmaceutical Benefits Branch

Dr John Primrose, Medical Officer, Diagnostics & Technology Branch

Dr Jane Cook, Medical Officer, Medicare Benefits Branch

Ms Diana Macdonell, Director PBAC Secretariat & Listings

Mr Allan Rennie, Assistant Secretary, Medicare Schedule Review Taskforce

Health Insurance Commission

See Outcome 1

Outcome 3 – Enhanced Quality of Life for Older Australians

Aged & Community Care Division

Dr David Graham, First Assistant Secretary,

Mr Andrew Stuart, Assistant Secretary, Policy and Evaluation Branch

Mr Marcus James, Assistant Secretary, Residential Program Management Branch

Ms Lana Racic, A/g Assistant Secretary, Office for Older Australians

Mr Raino Perring, A/g Assistant Secretary, Accountability and Quality Assurance Brch

Mr Peter DeGraaff, Assistant Secretary, Office of Hearing Services

Mr Warwick Bruen, Assistant Secretary, Community Care Branch

Ms Jenny Hefford, A/g Assistant Secretary, Complaints and Compliance Taskforce

Mr Stephen Goggs, A/g SES Specialist (Legal)

Aged Care Standards & Accreditation Agency

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

Ms Kristina Vesik, Communications Manager, Aged Care Standards & Accreditation Ag

Outcome 4 – Quality Health Care

Health Services Division

Ms Lynelle Briggs, First Assistant Secretary, Health Services Division

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

Mr Dermot Casey, Assistant Secretary, Mental Health & Special Programs Branch

Mr Andrew Tongue, Assistant Secretary, General Practice Branch

Dr Rob Pegram, Senior Medical Adviser, Gen Practice Strategic Development Unit

Mr Jonathan Benyei, A/g Assistant Secretary, Blood and Organ Donation Taskforce

Ms Joanna Davidson, National Manager, Office of Rural Health

Outcome 5 – Rural Health Care

Health Services Division

See Outcome 4

Outcome 6 – Hearing Services

Aged & Community Care

See Outcome 3

Outcome 7 – Aboriginal and Torres Strait Islander Health

Aboriginal and Torres Strait Island Division

Ms Helen Evans, First Assistant Secretary

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

Outcome 8 – Choice through Private Health Insurance

Health Industry and Investment Division

Mr Robert Wells, First Assistant Secretary, Health Industry and Investment Division

Ms Perry Sperling, Acting Assistant Secretary, Private Health Industry Branch

Mr Stanford Harrison, Director, Workforce Regulation Section, Health Capacity Dev Brch

Ms Vin McLoughlan, Assistant Secretary, National Health Priorities & Quality Branch

Medibank Private

Ms Di Jay, Company Secretary, Medibank Private

Private Health Insurance Administration Council

Ms Gayle Ginnane, Chief Executive Officer PHIAC

Health Insurance Commission

See Outcome 1

Outcome 9 – Health Investment

Health Industry and Investment Division

See Outcome 8

Office of the National Health & Medical Research Council

Prof Alan Pettigrew, Chief Executive Officer

Prof Elspeth McLachlan, Head, Centre for Research Management

Dr Clive Morris, Assistant Secretary, Centre for Health Advice Policy and Ethics

Mr David Clarkson, Director, Research Development Section

Mr Robert Wells, First Assistant Secretary

Australian Institute of Health and Welfare

Mr Richard Madden, AIHW

CHAIR—I declare open this hearing of the Senate Community Affairs Legislation Committee considering the estimates hearings. The committee will now continue examination of the Health and Aged Care portfolio. I welcome back the minister Senator the Hon. Amanda Vanstone and, of course, Mr Podger and the officers from the department. Could I remind officers to identify themselves when first called upon to respond in order to assist the Hansard reporters. The committee has completed all outcomes, except outcome 3, and we will therefore go to outcome 3.

Senator CHRIS EVANS—Ms Murnane, you sent the committee since we last met, I think on 19 December 2000, a clarification of some evidence you gave at the previous hearing relating to Thames Street investigations.

Ms Murnane—Yes.

Senator CHRIS EVANS—I must say I was a bit surprised to receive it because it basically gave a completely opposite view to a question I asked about whether you had any further complaints on Thames Street and, while I accept that errors occur—and I appreciate you correcting the record—I actually badgered the department for about three or four pages of *Hansard* on this very issue of whether there had been any further complaints that brought about your intervention at Thames Street, despite not acting on the original complaint. You

and Ms Hefford and the department generally were consistently saying, ‘No, there were no more complaints.’

Now, after that quite extensive examination in the estimates process, you have suggested a simple correction to the record in terms of advising that, in fact, there were three additional complaints during that period. I am not too fussed about how we effectively deal with the record, because I think Ms Hefford also reassured me that there had been no further complaints. There are slips and people get wrong information and that is fine, but this was a highly public case about a very serious complaint and very serious intervention by the department.

I did not ask just once; we went over it and over it. I am quite amazed that suddenly some time afterwards we seem to know a lot more about previous complaints. I am a bit surprised, and I wanted to put that to you. You might like to respond to that. I then want to ask about those complaints—when we got them, from whom, and why it was we did not know about them. I am not sure whether you are saying you did not know about them at the time or whether it was just that no-one at the table remembered the fact.

Ms Murnane—I can clarify some of that now, Senator. The people in central office, the people who were here, definitely did not know that there were additional complaints. As I said to you at the time, I had asked the question and what I had received was an answer that there were no additional complaints. I do not have the document before me but I will go from memory. However, the officer I was talking to in the Victorian office thought I was referring to the period—and my memory is—after July, whereas I was referring to the entire period. When she read the *Hansard* she became aware that I had provided a wrong answer and, therefore, we corrected the record at that stage.

It is unfortunate, but all I can say is there was no attempt to deceive or suppress; that this was an instance of a miscommunication, a misunderstanding, of the question I was asking. I do have to say that in that phone call I was asking a lot of questions, not only about Thames Street but about other places. I had that phone call not long before we came to the hearing. I apologise for it, but we have corrected it.

Senator CHRIS EVANS—You have certainly written and advised us of that, Ms Murnane. I appreciate that. But this was a question about why the department suddenly chose to intervene after not having acted on the original complaint, and I explored with you at some length what triggered that intervention. I was at a loss to understand why you had suddenly intervened in Thames Street after not having responded to the original complaint. We were trying to understand how the department processes worked, why it was that you had not responded to the original complaint but had, some months later, gone in.

So we spent some time exploring whether or not you had had any further complaints and what had brought about your decision to intervene some months later. It was not a question of, ‘Did you receive any complaints?’ and moving on. We were trying to explore what triggered the intervention. I am not sure now what you are saying to me—whether those complaints triggered the investigation or not. You explain the differences between you and the other officer, but this was about why you chose some months later to intervene in Thames Street Nursing Home and send in a review team. It was not just a question of how many complaints you had. It was a question about causal relationships, I suppose. I am not clear now whether you are saying those complaints did cause that intervention or not.

Ms Murnane—I said at the time, I recall, that there was a review. We do review things. Victoria, which was the state where we were getting most complaints, provided the most

serious challenge to us in terms of keeping up, so that some things would fall behind and there were reviews. I said that; that is correct. What it looks like is that these complaints, these additional ones that I was unaware of when I answered your question, did form part of that review. But we will confirm that on the phone with our Victorian office and get back to you later in the hearing.

Senator CHRIS EVANS—I would appreciate that, because the minister then went into the chamber, I think, on 29 November and said:

The review audit that took place in August related to two subsequent complaints that came in August about meals and staffing areas ...

You said to me on 22 November that there were no complaints and Ms Hefford gave similar evidence. Then on the 29th the minister knew about two complaints. She gave it in answer to a question in the parliament. Now you tell me there were three complaints. I am trying to get clear in my own mind what actually happened.

Ms Murnane—That was in the documents I sent to you. I referred to complaints that came, I believe, before July.

Senator CHRIS EVANS—Why is July important, Ms Murnane?

Ms Murnane—Because we had the review in July or in August. Senator, we have to get these papers back. We did not realise you would go back to this. We have to get the documents before us and, as I said, we are checking with the Victorian office for the precise circumstances that triggered the review.

Senator CHRIS EVANS—I would appreciate that, Ms Murnane. I would be surprised if you did not think I would ask you a question about evidence that you had to correct and which created quite a misleading impression, I accept unintentionally, at the last estimates hearing, which conflicts with what the minister said in the chamber, and it is likely that she is talking about two and you are talking about three. I am a bit surprised that you seem unprepared for me to follow that up. It was a subject of quite extensive discussion between us last time. No-one in the department acknowledged that there had been any complaints. No-one could give any rational reason to me as to why we had suddenly responded to concern about Thames Street and intervened.

Now it is quite a different picture. I am still trying to understand why it is. You say to me now that Victoria was the centre of the pressure. I thought you were at pains to tell me last time that that was not the cause of concern, that in fact you had sufficient resources, but I really do want to understand what happened here. Why weren't the initial complaints from the ANF acted upon? Why did the intervention occur in August and not before? If there were complaints, what was the nature of those complaints and why did they bring about action when the original ones did not?

Ms Murnane—Senator, I go back to the point you made concerning what I said last time about the pressure on resources. Remember we had quite an extended dialogue on that. I said on a number of occasions that in any complaints system there has to be order of priorities set and there has to be triage—that it is impossible to resource any complaints system so that all complaints can be acted on simultaneously. I am saying nothing different from that this morning, and I think it is important that that is on the record. But Miss Hefford can talk a little about the additional information that we had made available to the minister when she gave the answer that you referred to on the 29th.

Ms Hefford—Senator, as Ms Murnane has indicated, at the time we were talking with you in this committee on 22 November we were not aware of those additional complaints. However, the transcript from those hearings was immediately sent to senior people around the department. Our Melbourne office identified the comment made by Ms Murnane that there were no complaints received during that period, and immediately advised us that that was incorrect. I immediately briefed the minister, Mrs Bishop, so that should the issue arise she had the correct information available to her.

Senator CHRIS EVANS—And then you advised us on 19 December of that fact.

Ms Hefford—Yes, that is correct.

Senator CHRIS EVANS—So within a week you were able to advise the minister so that she did not refer to the fact that other information was given at estimates, but she did provide some detail on two complaints. Are you able to now advise me what those complaints were? Were there two; were there three?

Ms Hefford—We have asked for the papers to come over. I would prefer to wait until I see those. I would not want to give any information that was inaccurate.

Senator CHRIS EVANS—I appreciate that, because I would like to get it straight this time. But I do want to get to the key question, Ms Murnane: were those complaints the reason for all the intervention in Thames Street, or were they not?

Ms Murnane—I doubt that that question is going to be able to be given an answer that is as straightforward in terms of causality as that. There will be a constellation of things that trigger a review. I would prefer to go no further until we have information from the Victorian office.

Senator CHRIS EVANS—I appreciate that, and I will come back to it then. Can I ask about waiting times. I have been attempting to get some information from you on average waiting times in the same format that you have been giving us in previous years, but there seems to be a reluctance to provide that information in the same format now. I see you now claim the information you used to give us would be misleading in terms of providing average waiting times. I notice it is a key benchmark outcome performance indicator, average waiting times, but when I have asked for it more recently it seems that now it is a misleading figure. But, as I say, in previous years you have given it to us. I wonder if somebody could explain to me why that is the case and why we are no longer able to access a breakdown of average waiting times, given that you publish the national, global figure in your annual report.

Mr Stuart—Senator, the measure of entry periods is the elapsed time between an ACAT assessment and a person's entry into care. The department has done some further review of that measure and the department believes that it is not a reliable measure of an individual's waiting time. There are a number of reasons for that. I think there are two main kinds of reason. One is statistical and one is behavioural. In respect of the statistical issue, the distribution of waiting times of entry periods is very highly left-skewed information, so that an average is not a very good representation of that information. Averages are generally considered to be a good representation of data that is normally distributed on a classic bell curve, and this data is much more left-skewed than that—indeed, so much so that about two-thirds of all residents enter care in less than the average entry time. So that is one area.

Senator CHRIS EVANS—When did you suddenly come to this view, Mr Stuart? I notice your performance indicator requirement in the act and in your annual report is still the average time. Is there a move to have that changed?

Mr Stuart—Yes, it has been taken out of the PBS as an indicator for the coming period.

Senator CHRIS EVANS—So what is to replace it? I remember one of the measures with which we were to measure the aged care reforms was that the average waiting time would be reduced and, as I say, subsequent annual reports have shown it has been increasing, and we now find that you no longer like that measure. When was that decision made, and why?

Mr Stuart—It is not a matter of like or dislike of the measure, it is a matter of substantial additional analysis having been done around the measurement of entry periods. The other area of research that we have undertaken on the measure of entry periods is what else it is related to. For example, we are now aware that, in a situation in which most people want to delay their entry into care for as long as possible rather than rush into care, the increase in respite and community care that has been available has had a very substantial impact on lengthening the time that people take to enter into residential care. Some of that information I think was included in the department's last annual report. So it is more a matter of additional analysis.

Senator CHRIS EVANS—What is the basis for that analysis, Mr Stuart?

Mr Stuart—The basis of the analysis is looking at what other factors are related to the entry periods of people entering care. We have found that, for example, where high-care residents previously used residential respite care, they have an average entry period of 50 per cent longer than the average for everybody else. So, in effect, respite is effective in keeping people out of permanent care for an extended period of time. Now, that experience of respite is counted as part of the overall entry period. So in fact what I think we are starting to do is count as a negative indicator what should actually be seen as a positive, which is increasing community care keeping people out of residential care.

Senator CHRIS EVANS—As of June 2000 you did produce a figure of the average waiting time for the annual report. Is that not right?

Mr Stuart—Yes.

Senator CHRIS EVANS—So you do have available to you those statistics?

Mr Stuart—The information was provided for the annual report as required because it was a current performance indicator.

Senator CHRIS EVANS—I am just trying to be clear, Mr Stuart: you have that information available but you are choosing not to make it available to me. Is that correct?

Mr Stuart—The information is derivable but in the view of the department it does not adequately reflect the experience of entry periods for people in the system.

Senator CHRIS EVANS—I accept that nothing is necessarily definitive on its own and you are now producing, as I understand it—well, I think you always have—figures for those who enter both high and low care within 14 days and three months, and I think that helps give a fuller picture. Are you going to stop producing those figures as well?

Dr Graham—I think entry period is an important statistic that we will continue to monitor. Andrew Stuart has indicated that it has to be qualified in how it is interpreted, and I think that is what we are saying. Also, the waiting times pre the reforms to the entry periods and post the reforms are very hard to compare as well. One of the factors there is the difference in ACAT assessments which, for high care, now extend for 12 months rather than the three months.

Senator CHRIS EVANS—I think that is all fair enough, Mr Graham, and I accept that, but there is a difference between whether it is qualified and whether the information is denied. At

the moment you are denying me that information rather than qualifying it. I am asking the department formally to provide me and the committee with the figures that it has provided every year, as far as I can go back, on the average waiting times for entry into high and low care. It is a key performance indicator reflected in your annual report. The total national figure is contained in your annual report for the period up until 30 June. You clearly have the ability to provide those figures. I accept that you want to qualify them, explain them and use them as only one indicator, but I am at a loss to know why I cannot have them. You are not qualifying them; you are denying them to me.

Dr Graham—Would you prefer the figures that we feel confident in, with the qualifications against those figures?

Senator CHRIS EVANS—I would be happy for you to give me both the original figures and any qualifications you wish to make on those, but what I do not like is the suggestion that when people do not quite like the figures or the interpretation put on them, they are then denied to the committee. You clearly have them. It seems to me that we are entitled to see them, particularly as it is still a benchmark indicator for the annual report for the period I have asked about. I have found, to be honest—and I do not blame the public servants for this—that the flow of information on aged care has become less informative. Answers to questions asked on notice have become less informative, less fulsome, and a range of statistics is now being denied that was previously provided. This is one instance and the most glaring, but it is not the only one, Mr Podger, and I am concerned that we are not being given information.

I am quite happy for the officers to qualify and to provide explanations for how the figures ought to be used. As I say, the logic of some of the arguments I accept. I am not sure that I accept the extent of the impact. I think Mr Stuart did his best but I am not sure that those factors are as influential as some might argue. Nevertheless, that is a question for judgment and for people to discuss. But what I have found is that when we have been asking for this information—which you have always provided and which, as I say, is contained in summary form in your report—it is being denied to us.

Mr Podger—Senator, I think all I can do on this one is take your question on notice. When an indicator becomes less useful, there is an issue of whether you keep producing it with caveats or whether you put your efforts into identifying a new set of indicators that more usefully represent what is happening in a monitoring device. The concern the department has is that this particular indicator has started to become a questionable indicator of the performance of the program in this area. We need to think about whether there is a better way of monitoring the concerns that some people have that the period between being assessed and getting into a nursing home is too long. That is clearly a problem for some people and we ought to be monitoring that. But, for others, the period is in fact governed by their own desire for staying out of the nursing home for longer and utilising other services and for looking at choice. We need to think more clearly about the issue, but I will take your question on notice and see what we can do for you.

Senator WEST—Hasn't the desire to remain at home as long as possible always been there? That is not a new element within this discussion. If you are going to tell me that community care packages are making a difference, I would like to know how long people are waiting for community care packages and I would like to know also how many who are on community care packages want to get into institutions. I am getting reports from people that they are being fobbed off onto community care packages and that is not what they want. They want to go into an institution or an establishment, because they find they just do not cope with the package, despite that everybody else might think it is wonderful.

Mr Podger—Senator, I do not want to get into a debate about this. But, yes, you are correct that a number of people would clearly prefer not to go into a nursing home until they really have to.

Senator WEST—That is right.

Mr Podger—But the situation has changed in a number of respects over the last few years. The number of community care packages has increased enormously, the respite care arrangements have changed, and under the policy arrangements there has been a greater degree of choice around the residential care arrangements. The single arrangement across residential care, rather than the bifurcation we had before, is an important element too. These factors do intrude on the usefulness of a single aggregate indicator and that is what we are saying. But I take Senator Evans's point. We will take on notice whether or not it is appropriate to provide the same indicators we used before, with caveats, pending the development of the new indicators.

Senator CHRIS EVANS—Mr Podger, I appreciate you taking that on notice. At the very least, I would expect it for the period up to June 2000 on the basis that it was an indicator for your annual report for that period. I now ask about the allocation round, particularly the recent announcement of the 2000 allocation round. Perhaps I ought to start where we left off the previous section by asking about the format in which that information is presented. I notice this year we have not been given the same level of detail as in previous rounds in terms of who the successful providers were and whether the residential place was high or low care. In fact, it is quite difficult to work out who won what place and what type of place it was with the information provided by the department.

My office has contacted the department, asking for it to be produced in the same format as it was produced in previous years, but we were advised that it was not intended to produce it in any format other than that in which it was produced. A lot of people expressed to me their view that they were unable to work out who got what, as a result, and were unable to ascertain what sorts of places went where. The starting point is: why is the information not provided in as much detail as in previous rounds? Is that going to be rectified. If not, why not?

Mr James—I believe you are referring to the information that was on the web site in particular.

Senator CHRIS EVANS—Yes, that is where we got it from, eventually.

Mr James—We have provided it in different formats. This year we have had enormous pressures in terms of getting the materials finished, to notify applicants and finalise recommendations, et cetera. As you would be aware, it even took us a while to get the list up on the web after the actual announcement was made, as well. All I can say is that we had to try and minimise the amount of extra work we had to do and that is the best we could do in the time we had available.

Senator CHRIS EVANS—I understand those pressures that you are under. The question is whether or not there has been a decision not to produce the information produced in previous years. Certainly when we rang the department to ask, the impression we got was that that was the end of the matter, what was on the web was it. Are you saying to me that you are going to get around to producing it in a more accessible format?

Mr James—I would certainly hope so. I am aware that it was not quite so detailed as we put out last year.

Senator CHRIS EVANS—That is an understatement, isn't it? All you have is the suburb, I think—not even the name of the provider.

Mr James—The service was included.

Dr Graham—The service, the number of places and the suburb, yes, and the address.

Senator CHRIS EVANS—But not the name of the provider. For instance, we have 'Ningana Hostel', the address 'Tasmania', 'Residential care places number: 16'. All you know is that it is Ningana Hostel.

Mr James—Most would have a full address, though.

Senator CHRIS EVANS—Yes, 1 The Circle, Sorrell, Tasmania. But in previous years you gave information such as whether places were high or low care. You had it grouped by provider so that one could see who got what. There was a lot more information, and it was by state. It is impossible, from the information you have provided, to work out who got what.

Dr Graham—Senator, we have had some queries around whether there could be more information provided. If you are requesting the details on the type of places allocated, we can provide that.

Senator CHRIS EVANS—I would appreciate that. You mean high care or low care?

Dr Graham—Yes.

Senator CHRIS EVANS—That would certainly be helpful. But I think it would also be useful for people to know who the providers were who received these licences. It should be public information. It is an award of a licence from the Commonwealth. It seems to me it is only reasonable that people know who received them. These are highly valuable commodities. It is also a question of who has the capacity to supply beds in their region. None of that is clear from what you have produced.

Mr James—I should add, Senator, that when people phone up and ask for that information, that is given out from the department around approved provider, and so on, even though we did not get around to putting it on the list on the web. That has been happening on a state-by-state basis.

Senator CHRIS EVANS—Maybe I was too greedy when I asked for them all, but I would certainly like to do that. I have had a number of providers raise it with me, as well. A lot of people were successful, a lot of people were unsuccessful; we do not know who was successful.

Mr James—We can take that on notice.

Senator CHRIS EVANS—I would appreciate that. Can someone explain to me the allocation round. Do you do it the same as in previous years? You have a larger number this year.

Mr James—Yes, a larger number, basically double the previous round almost. The handbook, which you may be familiar with, is pretty much the same as the previous year. There are no really significant changes in the content. There was restructuring of the normal regional place allocations, other categories like extra service, but basically broadly the same. The process was similar. We advertised in the regions and restructuring nationally. There was a period of about eight weeks to get applications in and then there was an extensive period of assessment and, obviously, all the training that had to go on before the advertising around the state, around the country. And the industry was involved in that.

Senator CHRIS EVANS—Can you explain how the allocation works. As I understand it, the national office allocates places to each state. Is that right?

Mr James—Under what is called level 1, the minister determines the proportion of places to go to each state and territory. That is set out in the legislation. Then there are the terms that are iterated there.

Senator CHRIS EVANS—In legislation? Do you mean by regulation?

Mr James—The Aged Care Act determines that it is the minister's role to allocate places across the—

Senator CHRIS EVANS—It does not actually set the proportions, though.

Mr James—It determines what is going to each state and territory.

Senator CHRIS EVANS—Does it?

Mr James—It is in the legislation. It has been there from 1997.

Senator CHRIS EVANS—There is a set proportion. Is it per capita?

Mr James—The government determines how much funding is available for aged care in a given year and then the minister decides the split of places that can be funded out of that amount of money each year. Then the secretary or his delegate—Dr Graham in this case—based on the advice of the aged care planning advisory committees in each state, decides where those places are going to be advertised.

Senator CHRIS EVANS—What you are saying makes sense, but I did not quite get the nuance. Does the act set what proportion of places go to each state?

Mr James—No.

Senator CHRIS EVANS—Does the minister decide that or does Dr Graham decide that?

Mr James—It is the minister that decides it across states and territories.

Senator CHRIS EVANS—It is not the same each year? The minister says, 'New South Wales got 38 per cent last year. This year they'll get 39.'

Mr James—Indeed. It has varied over the last 15 years since the system was in place.

Senator CHRIS EVANS—Is that percentage published?

Mr James—Yes. It is announced and there is usually a press release associated with it. In fact, I am sure I have one here from the current round. There is a press release that sets out the split by state, and it also indicates what is going to be in the pools.

Senator CHRIS EVANS—In the—?

Mr James—Restructuring pool, because that is not split by state. As you would realise, restructuring need is lumpy around the country. It is not going to be evenly distributed necessarily. Similarly, places for MPSs are carved out of that pool as well.

Senator CHRIS EVANS—So the table is set by the minister. I would appreciate it if you could table one for me when you get a chance.

Mr James—Yes.

Senator CHRIS EVANS—I read the minister's press releases. I am sure I have it somewhere but I cannot remember that one.

Mr James—In fact, I have a summary information sheet which I am happy to leave.

Senator CHRIS EVANS—Great. Does the minister also then determine in terms of regions?

Mr James—No.

Senator CHRIS EVANS—I know the minister has been very keen to emphasise the number of beds that have gone into rural and regional Australia.

Mr James—That is a department decision about region allocations, based on the advice of the aged care planning advisory committees. Statistics are looked at for population projections, supply figures around the regions. The 71 aged care planning regions are used as the basis for doing those allocations and the aged care planning advisory committee in each state—which, again, is a process set out in the legislation—give recommendations to the secretary or his delegate as to what should be advertised in each region. It is up to the department to finally determine what is going to be advertised in each region.

Senator CHRIS EVANS—When you say ‘advertised in each region’, do you advertise that, for example, the south-west of Western Australia will get 40 high care beds? Do you advertise to that degree of specificity?

Mr James—Correct. The handbook sets out in great detail the advertising program for the level 2. I think we have one here somewhere. We did not bring it today. Caught! We had it yesterday.

Senator CHRIS EVANS—It was all part of my plan!

Mr James—We advertise on the basis of high care, low care, packages and targeting. They are the key things we advertise in a particular region. It may indicate, as is indicated in the handbook, which areas in a planning region are priority for applications. Perhaps if you are in a particular LGA in, say, Melbourne or a regional area—south-west South Australia—it may say that, ‘Priority will go to applications from this particular region.’ However, the assessment is still done on the best applications, as well. But, all things being equal, the priority would go to a particular applicant and support a particular region.

Senator CHRIS EVANS—What I am asking is, say you have said there are 40 beds in the south-west of Western Australia and the priority is Busselton, does it necessarily follow that, if you get applications, there will be 40 beds go to Busselton, or could it be that they do not get any beds at all because you have looked at the quality of the applicants and you are not happy?

Mr James—Indeed.

Senator CHRIS EVANS—So the advertisement, while specific, does not necessarily mean that the allocation will exactly match that advertisement?

Mr James—No, that is correct. It does not guarantee that they will actually get those beds. It depends on meeting the other criteria in the act—the quality of the application, the viability of the applicant. The key criterion in the act for assessment of applications to provide regional aged care is a decision as to which applicant best meets the needs of the region. That is the key criterion in the act itself. Then there is a string of criteria and provisions. It does not guarantee that the places will go there. There may be quite a poor application in respect of that area that we just cannot fund because it is not up to the mark and there is no guarantee they can deliver the service.

Senator CHRIS EVANS—I appreciate that. I am trying to come to terms with it, because when I have looked at your bed shortage figures and where you have allocated, they do not

necessarily correspond. In general terms, if there is a bed shortage, they have got beds, et cetera, but it is not absolutely consistent. I am trying to understand what drives that. For instance, I think in Queensland they had 40 additional nursing home beds allocated to the Fitzroy region when notionally it has an excess of 36 beds, but a range of other Queensland regions with higher shortages did not get any. I am trying to understand the logic or how you make those decisions.

Mr James—They are based very much on the advice of the aged care planning advisory committees as to what they think is the most sensible targeting within a region. Sometimes there are subregional differences, notwithstanding the overall situation in a region. As you would appreciate, planning regions can be quite large.

Senator CHRIS EVANS—Yes. In regional areas the population centres might not have much relationship to each other at all.

Mr James—Indeed. So those sorts of factors need to be taken into account. Also, if you have only a certain number of places available for a particular region a decision will sometimes need to be made about: is it worth while giving five places to a very small service—it is not going to make much difference to it; or might do—or is it better to fund a whole service in an area that has no provision in one of the local areas within that region? So those factors play a part in the assessment process, and the targeting process.

Senator CHRIS EVANS—Do you have a viability minimum? It seems to me that that is obviously right and I have had complaints, particularly about community aged care packages, that some of the bundles are too small to be viable, that five here and five there is not a terribly viable option. Is there a debate about minimum nursing home—

Mr James—There is no fixed benchmark because, as I am certainly well aware in many country areas, there can be viable very small services that do very well, depending on their management and their circumstances and the community and others where it would not make much difference. It can be so variable, depending on the actual circumstances of the service. There is no specific rule of thumb that we use to say, ‘It’s not worth it in this case.’

Senator CHRIS EVANS—So you have not taken a policy decision, for instance, not to allocate less than 20 nursing home beds in a block or anything?

Mr James—No, we did not take any of those decisions in this funding round.

Senator WEST—I want to dwell a bit on regions and region sizes, which you have actually alluded to, because when I see those regions, when you put out your figures, they are pretty meaningless because it is just a blank map with a few lines drawn across it. I would not have a clue about the other states, but I have a pretty rough idea—and it is rough—what they actually do mean in New South Wales, but they are useless in terms of planning unless one goes down to much smaller subregions. I want a breakdown of those figures on a much smaller subregional basis. At one stage I was arguing about the number of beds in Gilgandra and I was told that there was no supply in the region. The region happened to be Gilgandra, Dubbo, Narromine and Wellington. They are not even in the same ballpark: Wellington to Gilgandra is an hour and a half’s drive away.

Mr James—Yes. I know the area, Senator.

Senator WEST—I thought that part of the move here was to try to have people as close to their own community as possible. If you go further out west, they are sending people from Cobar to Brewarrina or Walgett. Even by Western Australian standards, we are talking some reasonable distances here. By those standards, we are talking totally no connection, no public

transport connection, and poor black soil plain roads. I want the figures broken down into smaller regions than what you are giving us, because when they come out we field inquiries from people and nobody knows. The planners do not know, unless they are high up in the program. Can you give us those figures on a smaller size basis?

Mr James—We do not tend to plan on a subregional basis. When the ACPACs meet they do tend to look at what the supply is like across a range of regions, but to go down too low is a bit difficult because the data is suddenly very hard to compare because a few places can make such a large difference. But that goes to an important point you are making: we do have some concern about how adequate and relevant the size of some of the planning regions might be in rural areas. This is one of the things we are looking at in this rural planning review that the department is doing—what about the subregional issues in some of these rural communities or areas? As you would be aware, a large centre in a planning region can use up most of the places for ratio purposes for that region, but that could leave a number of small communities without any local access. That issue is one of the ones we are looking at. We are also looking at the adequacy of the planning region system in some of the rural areas.

Senator WEST—It seems to me that planning regions have actually increased in size over the last six or seven years. Is that correct?

Mr James—I was not in the program back that far.

Senator WEST—This is an issue I have been pursuing for as long as I have been in this place, which is now going on 11 years. We were certainly given information about a planning region incorporating Gilgandra, Narromine, Wellington and Dubbo. On the latest one that is only a very small part of a huge geographic area. So it seems to me that you have actually increased the size of your planning regions. If you have done so, if you have such a large planning region, how—

Mr James—It has not actually increased in the last year and a half, or in the two rounds that I have been here for. There have been no changes in the last couple of years. I do not think there have been any changes since the change of government. I would have to check and see if there were changes earlier on. However, in that case—and I know that area reasonably well—it is a large region, and it is one we should be looking at, and we are looking at in this review context to see if there is a more logical split there that is more meaningful community-wise.

Senator WEST—I would have thought the obvious answer was yes.

Mr James—We obviously will have to look at it and see how the figures come out planning-wise.

Senator WEST—Is there anything in the community and aged care packages to address the problem of social isolation of the recipients?

Mr Bruen—Senator, community care packages, as you are aware, are funded flexibly so that the care package manager is able to use the subsidy to provide whatever services the person is assessed as needing. If that involves socialisation then, yes, the care package manager can use those funds to provide socialisation.

Senator WEST—And how many of the applications you have received or that you have funded have incorporated something about social isolation?

Mr Bruen—Senator, we do not collect data on the range of services that the care package providers provide.

Senator WEST—Do you do any work on the issue of social isolation for the frail elderly?

Mr Bruen—The community care programs that we fund do encompass that but we do not, at our level, make those decisions. That is a decision to be made by the service provider in terms of the assessed needs of the individual they are dealing with. Certainly the HACC program and care packages do address those needs when they are assessed as important.

Senator WEST—How much money is spent by your department on the issue of social isolation with your HACC packages, with your community care packages or any of the packages that you offer in terms of aged care?

Dr Graham—Senator, it would be very difficult to split off that cost. Certainly social isolation is an important part of the national strategy for an ageing Australia. In our discussion papers it is recognised that social isolation and the responses to it are quite a challenge. In fact, you could regard our hearing services program as one response to the issue of social isolation which can be caused by hearing defect.

Senator WEST—I am sorry; that is not exactly the type of social isolation I mean—people with a hearing problem. I am talking about the frail elderly who get stuck in their homes because they are too frail to go out. You rock in a community aged care package, but nobody else goes in to visit them except those who are providing the services. Therefore, those people's best friends become their nurses and their care assistants and Meals on Wheels. What is there in the programs that you are implementing to address this particular problem?

Ms Murnane—Senator, it is hard for us to give an answer to that in terms of information we collect, but the idea of the care package is that it is tailored to the needs of the individual. I know that there are cases in rural and in urban Australia where part of the care package would be taking the person shopping, for example, or taking the person to a senior citizens club. Of course, senior citizens clubs are funded by the Home and Community Care Program. Other sorts of neighbourhood centres are funded by the Home and Community Care Program, which is 60 per cent funded by the Commonwealth. Those things all provide assistance with mitigating social isolation.

Senator WEST—The complaints that I am getting are that that is not happening. What guidelines and targets do you have to identify the issue and to overcome the issue?

Ms Murnane—We do not have targets in relation to overcoming social isolation. As Dr Graham said, we recognise and the minister recognises that social isolation and the stereotyping of older people are very real issues in rural and urban Australia. A lot of the work that we have been doing—in terms of promoting more active images of older Australians, promoting participation of older Australians in all community endeavours, including cultural endeavours and, indeed, promoting the employment of older Australians—is all part of a strategy to minimise this. But what you are talking about is reflective of an overall attitude in the Western world to older people, and there are not any magic bullets or five magic bullets that are going to rectify that. It is part of creating deep changes in the fabric of our society. Our programs and the national strategy are one way to move towards that. We are conscious of it and we are moving towards it, but it is not something that is amenable to a blueprint, where we can get immediate results.

Senator WEST—The social isolation I am talking about is experienced by a group of elderly that are borderline and I would suggest category 8 type level of care. Therefore, they do not go into hostels or institutions because they do not attract any additional funding. They are often kept at home. They are too frail to get out and about. Their peers are presumably too frail to get out and about. Their peers are also dying, so there is a limited number of them. It is

a major problem. I want to know what programs you are looking to implement for this group. The programs you have outlined, Ms Murnane, are fine for the younger, fitter, healthier aged person.

Mr Podger—Senator, I hear your arguments. There are limits to what the department can say further in response to this. I think there is a comment that can be made about day care centres, but I feel that there is a difficulty in us being able to enter into a debate about the issues and to be able to provide any further information, specifically, on the question.

Senator WEST—How many day care centres operate then? Do you know?

Mr Bruen—Day care centres are funded under several different programs, but I can get that figure for you on notice.

Senator WEST—Thank you very much.

Mr Bruen—There is an extensive network of day care centres across the country, funded through the HACC program and contributed to by community aged care packages. That is the major thrust that we have in our programs for dealing with social isolation.

Ms Murnane—There are various programs funded under the overall canopy of assisting carers, particularly including the respite coordination centres that provide assistance to carers to be able to provide respite. Many of these people that you are talking about have either coresident carers or non-coresident carers. Various strategies we have in relation to carers are promoting neighbourhood type caring, which will do something to ameliorate the social isolation and the loneliness you are talking about. But, as the secretary was alluding to, what you are coming up to is something that is really fundamental to the human condition. It is not a nice thing. It is something that governments can do something to ameliorate, but we cannot set ourselves up as basically providing a panacea for this. It is deeply rooted.

Senator DENMAN—Do you have any statistics for respite centres?

Senator WEST—Their waiting lists and times.

Senator DENMAN—There is a problem in Devonport, where I live, with respite.

Ms Murnane—We would certainly look at that, Senator, if you will give it to us. I do not know that ‘waiting lists’ is a concept that we think is a useful one in relation to respite centres.

Senator WEST—For some people it is when they are told that they can have a week now and they cannot have another week or another fortnight until the end of the year.

Ms Murnane—Waiting for respite?

Senator WEST—Yes.

Mr Bruen—Do you mean waiting for residential respite?

Senator WEST—Yes—going into the institution, the facility.

Mr Bruen—For carer respite centres there are no waiting lists at all. They will deal with people immediately, but it is not always possible to obtain residential respite immediately.

Senator DENMAN—The residential respite is the problem where I live.

Senator WEST—It is not always possible to obtain someone to come into the home, nor is it appropriate on occasions to obtain someone to come into the home. You are giving Senator Evans waiting times for hostels and nursing homes; I am interested in the waiting times and the issues around respite as well.

Senator DENMAN—Yes, me too.

Mr Bruen—We will get some figures on that for you, Senator.

Senator WEST—Thank you. And you are going to get me some figures on funding for day care centres.

Mr Bruen—Yes.

Senator WEST—Thank you.

Senator CHRIS EVANS—Going back to the question of the allocation of places, when was it that providers knew whether or not they had received places? I know you had some difficulties in that the announcement was going to be in early December and then it was delayed for a while.

Mr James—When did they know about their allocations?

Senator CHRIS EVANS—Yes.

Mr James—They were announced publicly on 12 January and there was a period of notification immediately from that date. Successful applicants were being rung by local members and duty senators, et cetera, and the minister also wrote to successful applicants pretty much immediately, within the following few days.

Senator CHRIS EVANS—The public announcement of allocations was made on 12 January, but that did not include detail of which providers had got what, did it?

Mr James—No, not at that point. We had to actually get the material out.

Senator CHRIS EVANS—I noticed that some local members were announcing who got what during January. Also some providers did not seem to know. I am just trying to be clear on what the process was.

Mr James—Once the relevant allocations were approved by the department and the minister—the minister in the case of restructuring but not the structure on places—there was a process, as I have mentioned, of MPs and duty senators notifying successful applicants in their areas. There was also a letter sent out.

Senator CHRIS EVANS—When did that occur, Mr James?

Mr James—From the date of that announcement onward.

Senator CHRIS EVANS—Government members were informed on 12 January who had been successful in their regions. Is that right?

Mr James—And duty senators at the same time.

Senator CHRIS EVANS—Duty government senators?

Mr James—Yes, at the same time as the announcement was made—not before, afterwards of course.

Senator CHRIS EVANS—Did they receive a letter from you?

Mr James—The successful applicants received a letter from the minister.

Senator CHRIS EVANS—Did the local members get a letter from the department or from the minister?

Mr James—Not from the department—from the minister.

Senator CHRIS EVANS—On or after 12 January, local members and local government senators got letters about the allocations in their regions, and that was the same time as letters went out to providers?

Mr James—They got a letter saying that they had been successful and then subsequent follow-up letters from the department detailing what is involved with the allocation and what conditions and so on.

Senator CHRIS EVANS—They got a letter from the minister saying, ‘You’ve got it,’ and then you provided—

Mr James—Yes. The department followed up with relevant detail. That is right.

Senator CHRIS EVANS—But you said some of them were rung before that, were they?

Mr James—Certainly all government MPs and duty senators had the opportunity to make a call or to notify people after they had received their letter.

Senator CHRIS EVANS—But the department did not actually ring anybody?

Mr James—No, of course not.

Senator CHRIS EVANS—When you talked about ringing people before, I thought you were implying it was the department.

Mr James—No, it is not our role to do that.

Senator CHRIS EVANS—So government MPs and senators were told on 12 January. The minister wrote to the providers on 12 January or thereafter—

Mr James—They were actually mailed from the minister on the Wednesday and Thursday following. That was chiefly due to the fact that the department had an enormous amount of administrative checking to get through because—it is coming back to me now—we did not want to actually send the wrong information to anyone if we could help it, if at all possible. So there was quite a bit of checking—

Senator CHRIS EVANS—Telling them they have a licence worth \$2 million and then finding that you have not given them one would have been embarrassing, wouldn’t it?

Mr James—Indeed. It is not a good look, of course.

Senator CHRIS EVANS—There might be some legal liability, I suspect.

Mr James—So there was a bit of a lag there in terms of the letter getting out later the following week.

Senator CHRIS EVANS—But the letters from the minister to the members went out on the 12th? Is that right?

Mr James—Yes.

Senator CHRIS EVANS—When we inquired about this, I think someone told us that you had to confirm that they were accepting the offer before you would release the information publicly.

Mr James—No, I do not ever recall saying that since I have been here.

Senator CHRIS EVANS—I did not say you said it.

Mr James—No, the offer is made and then it is up to them whether they are going to accept it or not. We do not actually check with anyone.

Senator CHRIS EVANS—So there is no requirement on them to notify you before you can publicly release information?

Mr James—No.

Senator CHRIS EVANS—So you send the letters out with the conditions—

Mr James—And they decide whether they can accept them or not.

Senator CHRIS EVANS—So they then have 18 months to bring those places on line? Is that right?

Mr James—If they accept the conditions, they have two years.

Senator CHRIS EVANS—Two years from the date of offer?

Mr James—It is from the date of allocation.

Senator CHRIS EVANS—The date of allocation?

Mr James—So two years from the date they accept the conditional offer. It is actually from the date of the allocation, which is the offer. They have two years and they can apply for an extension.

Senator CHRIS EVANS—Yes. Just so we are clear—is that from the date you offer them that or is it from the date of the round?

Mr James—It is the date of the offer, the allocation. It is the date of the decision to make the allocation, as I have said.

Senator CHRIS EVANS—So that, in this instance, would be 12 January?

Mr James—Indeed.

Senator CHRIS EVANS—We got there. Thank you. They have two years to do that. Do you keep figures on previous rounds and who have their allocations up and running?

Mr James—We have some information. I do not go back a long way in this particular program—and the data is incomplete for, say, going back through the whole 15 years since the process began.

Senator CHRIS EVANS—I am not talking historically. For instance, the people who got places in the 1998 round should have had them operational by now, I would presume.

Mr James—Indeed, they should be pretty close.

Senator CHRIS EVANS—So can you tell me how many of the places allocated in 1998 are now operational?

Mr James—I do not have that information with me at the moment, but we can provide that information.

Senator CHRIS EVANS—Could you take that on notice? Are you able to tell me how many of the 1999 round are already operational?

Mr James—Again, I did not bring that material with me, but we do know. We do six-monthly reviews of progress. We were doing annual reviews, but we are going to move to six-monthly reviews as part of the new allocations as well.

Senator CHRIS EVANS—I would appreciate it if you would take that on notice. How many licences have you had surrendered from the 1998-1999 round?

Mr James—I would need to check that. I do not have that. It is not very usual for people to give up allocations. It is very unusual.

Senator CHRIS EVANS—It is a marketable commodity, isn't it?

Mr James—Indeed.

Senator CHRIS EVANS—Are you aware of people selling licences?

Mr James—You cannot actually sell provisional allocations.

Senator CHRIS EVANS—So they are not able to sell it before they actually bring a bed on line?

Mr James—Absolutely not, that is correct.

Senator CHRIS EVANS—Is there any restriction on how long they must operate that bed licence before they sell? Are they capable, say, two weeks after they have got them on line of selling them?

Mr James—I do not believe so. Obviously they still have to get the department's approval, though, to transfer those beds.

Senator CHRIS EVANS—Yes.

Mr James—And given that we have allocated them to that particular person in a region—for a good reason—there would have to be a pretty good case as to why they wanted to move them suddenly.

Senator CHRIS EVANS—But there has been some sale of beds outside of regions, hasn't there?

Mr James—Yes, beds do move across regions.

Senator CHRIS EVANS—Yes. So how do you make those decisions?

Mr James—There are a number of things to be considered, but primarily the impact on the region that would lose the beds, given we had a good reason to allocate them there in the first place; the impact on the new region—is it an overbedded region, does it have a particular need for that sort of care. There is a whole range of criteria that the delegates have to assess in making a decision whether to agree to a transfer, together with the needs of the residents, of course, within a particular facility. So that is a very strong control the department has over the movement of beds.

Senator CHRIS EVANS—I want to ask specifically about this dispute in the Northern Territory, about whether those places allocated in the 1999 round are going to come online. I think the Moran Group got a licence in the 1999 round for the operation of places in Darwin.

Mr James—Yes.

Senator CHRIS EVANS—What period do they have before those licences have to be operational from the 1999 round?

Mr James—A bit under a year at this stage.

Dr Graham—They can request an extension.

Senator CHRIS EVANS—That was going to be my next question. I wondered what the cut-off date was. Are you able to give me the date, Mr James?

Mr James—The allocation was made in November 1999.

Senator CHRIS EVANS—So November 2001 is the cut-off date?

Mr James—November 2001 is the cut-off.

Senator CHRIS EVANS—And has there been an application to extend the period for those licences in the Northern Territory?

Mr James—I could not say at this stage. Would you be comfortable knowing that information, given that it is their particular business?

Senator CHRIS EVANS—As you know, there has been a dispute in the Northern Territory about whether or not those licences are actually going to be operational. I think the Moran Group applied for some capital funds to help fund that as well, didn't they? I am going on press reports on this issue, so I am just trying to get clear in my mind what is happening. As I understand it, they got some beds allocated in 1999 which have not commenced, and there was some talk about them having applied in this round for a \$2 million capital grant.

Mr James—I have certainly seen those press reports, too, but I am not sure. As far as I am concerned, at this stage they are still proceeding. We have not been notified otherwise at this point in time.

Dr Graham—The difficulty is that that information is in their application and probably is commercial-in-confidence. If they have made an application, we would have to clear that.

Senator CHRIS EVANS—As Mr Moran was in the paper saying they had made the application, I suspect it is public information now. I am sure he would not say it if he had not. I would like the details on whether or not those beds approved in the 1999 round are operational. I suspect the answer is no and, if they are not, whether you have received an application for an extension.

Mr James—With community aged care packages, generally they come up instantly because there is no infrastructure to be built, so that is pretty straightforward. This would mainly relate to residential—

Senator CHRIS EVANS—Yes, as I understand it—

Mr James—where you have building times.

Senator CHRIS EVANS—You had some high-care beds in the 1999 round—24 high-care beds? I am not sure of that. I understand the Moran Group got further licences in the Northern Territory in this round. Is that correct?

Mr James—Yes, that was publicly announced.

Senator CHRIS EVANS—Can you tell me what that allocation was? It is not clear from your web site, as I said earlier, who got what.

Mr James—I did not bring that specifically with me, the allocation in the NT. We can check that for you. There were some further places allocated, but I can check that.

Senator CHRIS EVANS—Could you take that on notice?

Mr James—Yes.

Senator CHRIS EVANS—Could you also check for me whether there are any other places allocated to the Northern Territory in recent years that have not become operational and whether any places granted in the Northern Territory are subject to extensions of the deadline?

Mr James—Yes, Senator.

Senator CHRIS EVANS—Dr Graham, you have said you are not able to tell us who applied for capital grants for construction. You are only able to publish who got them. Is that correct?

Dr Graham—We would have to get legal advice on this, Senator. My understanding is that that would be confidential information for the applicant.

Senator CHRIS EVANS—Can someone advise me whether Prime Life Corporation received any successful bed licences in this current round?

Mr James—Yes, they did.

Senator CHRIS EVANS—Can you detail those for me, please, Mr James?

Mr James—I do not have those details with me, but I could provide you with those details.

Senator CHRIS EVANS—Could you provide me with details of the number of places in the last three rounds that Prime Life have received, in terms of both residential and community care? You might also check for me whether that is always under Prime Life Corporation or whether there might be related entities. I know that sometimes it is not always—

Mr James—Insofar as we can ascertain that, yes.

Senator CHRIS EVANS—I know that sometimes they have a different business or what have you.

Mr James—Yes.

Senator CHRIS EVANS—Have you received any complaints or concerns about Prime Life and its key officers?

Mr James—Yes, we have certainly had some issues raised with us in correspondence and we are aware of some court action in Melbourne that was taken in relation to Prime Life.

Senator CHRIS EVANS—Were you a party to those court actions?

Mr James—Not as far as I am aware.

Ms Murnane—Senator, there was an Industrial Court action. No, we were not a party to that. We are aware of complaints that have been made by the parties to that action, the former staff. As a result of that, I have been contacted by one journalist about that. I have reviewed the situation of Prime Life and its directors and have found that there is no reason for Prime Life and its key personnel not to remain an approved operator of an aged care facility.

Senator CHRIS EVANS—You made that decision based on complaints received by the department?

Ms Murnane—No. I made that decision on the basis of reviewing what the department had done in checking out the approved provider status against the criteria for the directors of Prime Life, and that had been done.

Senator CHRIS EVANS—I gather one of the allegations is that one of the directors is bankrupt.

Ms Murnane—That is right.

Senator CHRIS EVANS—Does that disqualify them?

Ms Murnane—We get into a situation here where we are actually talking about commercial-in-confidence information. But let me say this—

Senator CHRIS EVANS—I did not ask you about commercial-in-confidence. I asked you whether being a bankrupt made one inappropriate or unsuitable or disqualified one. It is a question of fact.

Ms Murnane—If somebody is a discharged bankrupt at the time they apply for approved operator status, the fact that they have basically served their term of bankruptcy—that they

had once been a bankrupt—does not make them ineligible to be an approved operator. As I said, none of our eligibility criteria was breached in the approval of this company or any of its key personnel.

Senator CHRIS EVANS—You satisfied yourself that if one of the directors had been a bankrupt that person was a discharged bankrupt and therefore there was no problem with approval?

Ms Murnane—Yes. At the time they were made an approved operator of an aged care facility they were discharged from bankruptcy.

Senator CHRIS EVANS—Is that the only consideration? I know you have these new rules about suitable persons. Is that the only decision for you?

Ms Murnane—No. We do other things. We get independent checks of the financial position. That is normally done through Dun and Bradstreet. They came up with nothing adverse. There are police checks. They were done and came up with nothing adverse.

Senator CHRIS EVANS—What about the question of whether incorrect details were submitted in their application? Has that been checked?

Ms Murnane—I do not know that I was aware of that particular aspect of the complaint. The complaint as it came to me was essentially about one of the directors not being appropriate.

Mr James—If anyone was to provide any of that sort of information, we would have to take that into account. But in doing the assessment process for a provider in that particular state—Victoria—there was no information that militated against making a positive decision. Obviously we would act if we were given tested information that we had to look at.

Senator CHRIS EVANS—So you have basically assured yourself that you see no reason to question the suitability of that provider.

Mr James—Not on the basis of the information that we have at this stage. We will obviously continue to be vigilant, as we are with all approved providers if information comes to our attention.

Ms Murnane—Senator, I also said in writing to the journalist who had been contacting me and to the editor of the newspaper that if they had any information they should pass it on to us. Nothing has been passed on to us.

Senator CHRIS EVANS—I adopted much the same approach, Ms Murnane. I wanted to broadly raise the issue. I want to ask some questions about accreditation. Mr Burns, are you able to provide a breakdown by state of the numbers of providers who received three-year accreditation, one-year accreditation, and so on?

Mr Burns—We are working on those figures to provide to the minister's accreditation compliance forum working group.

Senator CHRIS EVANS—You are working on them?

Mr Burns—Yes. We have that data which we are putting together.

Senator CHRIS EVANS—Can you provide the committee with a copy when you have that?

Mr Burns—Yes.

Senator CHRIS EVANS—One of the major issues raised with me, Mr Burns, arising out of the accreditation round was the question of, I suppose, inconsistencies in approach. I am sure you have had the same concerns raised with you. For instance, the accreditation guide indicates that a critical rating in an area should result in a fail. It seems a number of nursing homes received critical ratings but were granted accreditation. Can you explain to me how that is possible?

Mr Burns—Certainly. The guide was produced in September 1998, before the principles were finally gazetted. In the principles as gazetted there are other criteria that the state manager has to take into account in making his or her decision. The report and the ratings are only one of those criteria that the state manager must take into account. There can appear to be an anomaly between the published report which we are required to publish, which is the report from the assessment team, and the final decision, because the state manager has to take into account other criteria—for example, progress of the service from the time of the visit to rectify the noncompliance issues. Services are able to rectify noncompliance in the time post the site visit.

Senator CHRIS EVANS—When one nursing home that received two unsatisfactory ratings gets a one-year accreditation, people say, ‘Well, what’s the standard for accreditation?’ If you can be critical on two key criteria and unacceptable on two others yet still get a one-year accreditation, what does accreditation mean?

Mr Burns—That service clearly needs close supervision, which is the one year. They will receive a number of support visits to ensure that they are implementing their plan for continuous improvement.

Senator CHRIS EVANS—So how do you fail accreditation, Mr Burns?

Mr Burns—When it is considered by the state manager that the service is not going to improve the care standards as identified at the site visit and from other information supplied to the agency.

Senator CHRIS EVANS—So it is not a test of what standards you are providing; it is a test of whether or not you have assured the department you are going to improve? Is that right?

Mr Burns—It is not as black and white as that. It is a combination of how the service presents on the day and the judgment of the decision maker on the ability of that service to respond to the required improvements.

Senator CHRIS EVANS—So what do you have to do to fail?

Mr Burns—You would have to be delivering standards that are not acceptable and with no intention—

Senator CHRIS EVANS—If you are nursing home delivering standards that are critical and unsatisfactory—to those not as familiar with the principles as you—that looks like a fail mark to me. I cannot quite get my head around the fact, and neither can a lot of people I have spoken to about this issue, that some homes—and I am trying not to use the names, but I am sure you are as aware as I am of the homes affected—even as late as December, got scathing reports critical of many areas and had consistently failed to meet standards in the months prior to that, on previous audit visits or what have you, yet come the deadline of 31 December they got an accreditation pass. People are saying, ‘How does that work?’

Mr Burns—Because it is a commitment to the continuous improvement of standards. Those ratings may have been the view of the assessment team on the day, and very often those assessments came as a severe shock to those services who responded—

Senator CHRIS EVANS—That is not right. I am talking about homes—and I will detail them, if you want—that you had found unsatisfactory when you went in in the months before and in the six months before that. I am talking about homes that you went in three times in a year and when you last went in in December they were still critical, they were still unsatisfactory, and they still got a pass mark.

Mr Burns—Because there has been evidence provided to the agency and witnessed by the agency of improvement in their services.

Senator CHRIS EVANS—How can that be if you visited three times over a period of a year and each time your assessors say the place is not up to scratch, and in fact they say it is critical—your people, your reports? What evidence is there, if you have been in there three times in a year and each time they come back with an unsatisfactory and a critical rating, that in the next three weeks they are going to lift their game?

Mr Burns—Because there has been evidence of improvement.

Senator CHRIS EVANS—Quite the contrary, Mr Burns. There are examples where there has been evidence of a drop in standards, where they have consistently got worse, and when you went in in December you found two areas of care which were described as critical. That is quite the opposite to improvement; what they showed was steady decline, yet they still got accreditation.

Mr Burns—Senator, I cannot deal with the specifics you are talking about. I am talking in general terms.

Senator CHRIS EVANS—All right. I will talk to you about Mowbray House Private Nursing Home in Melbourne, rated as critically failing all four care standards on 11 December, yet three weeks later it was granted an exemption.

Mr Burns—I will have to take that specific situation on notice, Senator.

Ms Hefford—Sorry, Mowbray House was not granted an exemption by the agency.

Senator CHRIS EVANS—Sorry, Ms Hefford, that is right. That is an example of exemptions, I suppose. That was an administrative decision, was it not, rather than an agency decision? Is that right?

Ms Hefford—A departmental decision.

Senator CHRIS EVANS—All right. I will come to exemptions in a minute, Ms Hefford. Mr Burns, we have examples of nursing homes your assessors have visited where they found consistent failure, consistent concerns, ratings of critical, showing over time either a worsening or a consistently low level of care, that were then given accreditation. I just do not understand what magically was going to happen that allowed them to get accredited.

Mr Burns—Because they had an improvement plan which the agency continues to monitor, and the agency has the ability to revoke accreditation if that plan is not adhered to.

Senator CHRIS EVANS—So how many accreditations have been revoked since 1 January, Mr Burns?

Mr Burns—I do not know if I have that figure with me, Senator. Since 1 January this year?

Senator CHRIS EVANS—Yes.

Mr Burns—I will have to take that on notice. I do not think any have.

Senator CHRIS EVANS—Have you revoked any accreditations or merely downgraded?

Mr Burns—I do not believe we have revoked accreditations post 1 January but we have revoked accreditations prior.

Senator CHRIS EVANS—Yes, but as of 31 December every nursing home operating bar one was accredited or exempted, wasn't it?

Ms Hefford—That is correct.

Senator CHRIS EVANS—So you accredited all bar 21 at 31 December. I am asking you, since that time have you revoked the accreditation of any nursing home or hostel?

Mr Burns—I do not have the data within that time frame, Senator, but I can take it on notice.

Senator CHRIS EVANS—Are you telling me, Mr Burns, you do not know whether you have revoked anyone's accreditation since 1 January?

Mr Burns—It could be either side of 1 January, Senator. I do not have the specific data.

Senator CHRIS EVANS—No, if it was this side of 1 January they would have lost their funding, so I presume you would have noticed.

Mr Burns—But we are currently conducting support visits and review audits, and decisions may or may not have been made while I have been here in the last few days, so I cannot answer that question as at this moment. It is an ongoing process.

Senator CHRIS EVANS—To the best of your knowledge, do you know if anybody has had their accreditation revoked?

Mr Burns—I believe the answer is no, Senator.

Senator CHRIS EVANS—I would appreciate it if you would take that on notice. What action have you taken against nursing homes that have failed to meet their improvement plans in the period since 1 January?

Mr Burns—We have conducted 480 support visits around the country to services that are accredited to check their compliance with the standards and their improvement plans.

Senator CHRIS EVANS—And have you changed your assessment on any of them? For instance, I know some of them have been reduced from three-year accreditations to one-year accreditations, from looking at your web site.

Mr Burns—Yes. I do not have the actual numbers with me, but we have reduced some periods, yes.

Senator CHRIS EVANS—So that is the form punishment takes as a result of failure at the moment, is it? You lose some accreditation?

Mr Burns—Yes. I could not envisage that we move straight to revocation without pointing out the deficiencies and giving them an opportunity to make the improvement for the sake of the residents.

Senator CHRIS EVANS—Sure. So what if they only had one-year accreditation and they are still failing standards? What do you do then?

Mr Burns—We have a choice of a number of actions—to reduce the period further or to revoke.

Senator CHRIS EVANS—So have there been any nursing homes in that category, where they have had one-year accreditation and you have conducted a visit and found them to be still unsatisfactory?

Mr Burns—I cannot answer for all the visits. We have done 480 visits. There are services that are making improvements; others will not be improving as quickly as that.

Dr Graham—There are a range of sanctions and actions under the act as well, of course.

Senator CHRIS EVANS—Yes. I am trying to work out whether you are using any of them, Dr Graham. I appreciate that. I am just trying to tease out how you are handling it, basically. I am trying to understand how you have handled it since 1 January.

Mr Burns—I can take that on notice and give you exact details. I am aware that we have reduced the period of accreditation; we have not revoked. But as far as numbers go, I would need to take that on notice.

Senator CHRIS EVANS—Perhaps you could take that on notice, Mr Burns. Are you monitoring the facilities which received exemptions, or are they treated differently?

Mr Burns—No, both the department and ourselves are monitoring those services.

Senator CHRIS EVANS—How are you treating them in terms of accreditation, given that they have been exempted, I think most for six months. They do not have to meet the accreditation standards, I presume, in the period, or they are not expected to. What are you monitoring when you visit them?

Mr Burns—We monitor them against the accreditation standards.

Ms Hefford—Those services are required to meet the accreditation standards and they are monitored against the accreditation standards. The bulk of the services which received the determination under section 42(5), the exceptional circumstances determination, were related to either building issues, certification issues, or they were transitional—that is, the service was in the process of closing or of relocating residents to an alternative building. So while there is an arrangement in place where the agency and the department are jointly monitoring, in some cases the department is paying more attention, because it is about the built fabric, and the department is monitoring that the building works are on track, on target and will be completed within the agreed time frames. In other cases, the issues are related to care, and the agency is doing more of the monitoring. There is a very close case management process. The department and the agency officers are meeting on a weekly basis. Case managers are swapping notes. These services are being intensively monitored during this period.

Senator CHRIS EVANS—Thanks for that, Ms Hefford. I understand the building certification issues. Can you provide me the rationale for granting exemptions to those places where they failed care standards?

Ms Hefford—In the majority of cases where there were care issues, there were plans in place to sell—the approved provider was selling to a new approved provider, somebody who had a good track record. They were, alternatively, taking on new care staff, appointing new senior management and implementing new processes, but they had insufficient time to have those processes in place by 1 January.

Senator CHRIS EVANS—Did they have three years?

Ms Hefford—Yes, and it is true that some began making the effort required too late. In one case, Mont Calm, which I think we discussed previously, made a huge effort and in the end conceded that they could not do it. That is one of those that falls into the transitional category. There were care issues, not building issues, but they have received exceptional circumstances to help them to manage an orderly relocation of all residents to alternative services.

Senator CHRIS EVANS—I understand that particular instance. A lot of people in the industry have said to me, ‘Hang on, we got three years. We had to get our act together by the deadline, and then we find that those who did not get their act together got an exemption. We played by the rules. We were told it was going to be tough if you didn’t meet the deadline—if you didn’t meet the tough new care standards you were out. Yet they got an exemption.’ They are asking, ‘Why were the rules changed?’ and I have not had a satisfactory explanation myself. I understand the building issues. I made it clear months ago that I understood those and where there was a plan of action for the building and it was within months it seemed to me a reasonable decision to take to deal with the building issues. But certainly on the care issues I think there is a lot of concern that the bar was lowered to accommodate the field.

Dr Graham—Not really, Senator, because the delegate could not make a decision on exceptional circumstances if there was an immediate or a severe risk.

Senator CHRIS EVANS—That was the one that was gazetted three weeks before the deadline?

Dr Graham—Yes, it would have been about then.

Senator CHRIS EVANS—But it was not exactly widely known a long time in advance, was it? It seems to me that there was a regulation gazetted, with three weeks to go, and then people were allowed to be exempted.

Mr Podger—That was a trade-off, Senator. If we had gazetted such an arrangement, say, a month earlier than we did, then your concern would have been even greater. If we had delayed the exceptional circumstances nearer to the 1 January point, we would have had all sorts of crises amongst those homes where there were legitimate issues. Getting the exact point when to gazette that particular issue was quite a tricky balancing exercise.

Senator CHRIS EVANS—When did you announce the exemptions?

Ms Hefford—There were two dates on which determinations were made. They were both at the very end of December. The last two or three were not signed until 29 December. We were trying to ensure that the approved provider in every case took every step possible for them to take and were kept working until the deadline to achieve improvements. I just go back to the decision making process by the delegate. Under 42(5) the delegate is required to take into account three things in making such a determination. One is the issue around which the service has failed: what are the remedial actions required? The second is the issue of what are the actions required to meet the standards. The third is the impact on the service and residents if the determination is not made. Throughout the last six to eight months of last year we continually closely case managed any service where we felt there was any potential for failure, but we also continually said that our highest priority was the health and wellbeing of residents. In every case the delegate had to look at the greatest protections for residents in making those determinations.

Senator CHRIS EVANS—Thanks, Ms Hefford. Perhaps we could take a couple of examples. For instance, Belvedere Park Nursing Home is, I understand, owned by the same owner as the Kenilworth Nursing Home and had a similar history in terms of unsatisfactory

reports. Kenilworth, I think with only three residents left, was closed, but Belvedere Park was granted an exemption. Can you explain to me the logic there?

Ms Hefford—They are two different approved providers and two different companies, although you are probably aware that one key personnel, one director, was the same across both companies. There were substantial differences in the buildings. Kenilworth was not certified and in its current structure is not able to be certified. Belvedere was able to be certified. Although the department had previously denied certification, the building did not represent risk in terms of fire safety or any of those issues.

Senator CHRIS EVANS—Is it certified now?

Ms Hefford—It is now certified.

Senator CHRIS EVANS—When was it certified, Ms Hefford?

Ms Hefford—16 February.

Senator CHRIS EVANS—It was not certified at the time it was granted an exemption?

Ms Hefford—It was not certified, but we knew that the building was certifiable, whereas Kenilworth was not able to meet the standards. It was not a technicality about the signing; it was that it did not have the building fabric and it was not a safe building against the building standards.

Senator CHRIS EVANS—But when it was granted an exemption it was not certified. You would be aware that that particular home had a history of poor reports.

Ms Hefford—The advice that we had from the agency was that in the last three months of last year care at Belvedere had improved substantially. The company had also applied for accreditation at Belvedere in mid-December.

Senator CHRIS EVANS—When was the date of the accreditation? Last time we talked, he had not even bothered to apply for accreditation.

Ms Hefford—He applied for accreditation, I think, on 14 December and the agency was unable to schedule a site visit between then and 1 January, but our view was that, based on the feedback we had from the agency and the application process, there was a very reasonable chance that accreditation would be achieved. There still is not a decision about accreditation. The agency is scheduled to make that decision later this week or early next week. We are still monitoring Belvedere continually. We do not believe there are care issues. However, during that same period we continually monitored care at Kenilworth and we continued to be concerned. On Christmas Day, on Boxing Day, on the subsequent day, we had staff there who were there at change of shift and we continually noted that the new shift did not arrive. Sometimes staff were required to work a double shift because replacement staff did not come in. That did not happen in Belvedere; it did happen at Kenilworth.

Senator CHRIS EVANS—There were only three residents left at Kenilworth, weren't there?

Ms Hefford—Yes, that is correct. Regardless of the number of residents, there were no staff.

Senator CHRIS EVANS—But that was quite a different situation in the sense that there were far fewer residents at Kenilworth by that stage, weren't there?

Ms Hefford—There were. Nonetheless, what I am saying is that comparing Kenilworth and Belvedere was not comparing apples with apples. We continued to have concerns about

Kenilworth. We were in contact with the approved provider throughout that holiday period. He had said that there were staff coming on who did not then arrive when we went to the service. The delegate eventually made a decision on 29 December to not give exceptional circumstances to Kenilworth.

Senator CHRIS EVANS—He did not apply for accreditation for Belvedere Park until 14 December and was not certified until 16 February, and it is still not accredited at this stage?

Ms Hefford—There was an accreditation audit on 16 to 18 January and the view of the assessors on exiting the service was that they believed it was meeting the care standards. A delegate in the agency's office in Adelaide has yet to formally announce a decision, but it looks reasonably positive.

Senator CHRIS EVANS—Regarding Mowbray House, it was rated as critically failing all four care standards, I understand, on 11 December. That is after two reviews in February and June both found failures to meet care standards in the nursing home.

Ms Hefford—Yes.

Senator CHRIS EVANS—Three weeks later it was granted an exemption. What was the argument for granting Mowbray House an exemption?

Ms Hefford—In that time we had had negotiations with the approved provider and there were a number of steps that were agreed. One was that the service would be sold and the sale is currently being finalised. A new approved provider is taking over. The other was that the new approved provider was also organising new accommodation. There are 30 places at Mowbray House, but at this stage only seven residents remain in the original building. There is both a plan to address the building issues and to move residents to better accommodation and a new approved provider taking over, with a good track record and a willingness to implement better care standards and make those changes. That is, in the end, what we were about for most of last year. It was about getting change on the ground in those services where standards had been poor in the past.

Senator CHRIS EVANS—Is Mowbray House now accredited?

Ms Hefford—Not yet, but the exceptional circumstances determination gives them until mid-June. They are being very closely monitored. We are confident that the new approved provider will move quickly to ensure that new systems and new care arrangements are bedded down.

Senator CHRIS EVANS—Will those residents continue to occupy Mowbray House? I was not clear when you said about 'alternative accommodation'. Does that mean they are being moved out?

Ms Hefford—They are moving to new accommodation and only seven remain in the original building at this stage. They are being relocated gradually.

Senator CHRIS EVANS—I forgot to ask a question when we were talking about Kenilworth and Belvedere. I have seen in the paper reports that Mr Graham Menere has been disqualified as an individual under the new section 10A of the act. Is that correct?

Ms Hefford—Yes.

Senator CHRIS EVANS—When did that occur and on what basis did it occur?

Mr Goggs—The disqualification provisions came into force on 18 January.

Senator CHRIS EVANS—There were disqualification provisions in the old act, weren't there, Mr Goggs?

Mr Goggs—There have been provisions in the act since 1997 relating to the suitability of approved providers and their key personnel. The new provisions specifically relate to a person being a disqualified individual for the purposes of being a member of the key personnel, and they relate to very specific areas. As I say, those provisions commenced on 18 January, so that a person who was in the category of disqualified individual effectively became disqualified on that day. Mr Menere, who you referred to, is a person who falls into that category and, therefore, was considered to be disqualified with effect from 18 January.

Senator CHRIS EVANS—I see. It is automatic, rather than making a decision, is it?

Mr Goggs—That is right.

Senator CHRIS EVANS—On what basis was he disqualified?

Mr Goggs—He has been convicted of an indictable offence.

Senator CHRIS EVANS—This is the same basis on which complaints were made to the department some years ago.

Ms Hefford—Yes.

Mr Goggs—I understand so, Senator, yes.

Senator CHRIS EVANS—Last time we discussed it I think Ms Murnane was at pains to say we could not establish that he had been convicted. I think I first raised it in May 2000 and that related to some complaints you had received two years before that. How are you suddenly able to decide that he was convicted now? When we last talked you were unable, and had been unable for some years, to confirm what we had been putting to you about this gentleman and now you suddenly are able to confirm that. What has changed?

Mr Goggs—I understand, Senator, that further checking was done prior to the commencement of those new provisions and it was conclusively ascertained from the court at which the conviction was recorded that that was the case.

Senator CHRIS EVANS—When was this conviction recorded against Mr Menere?

Mr Goggs—I do have that date, Senator.

Mr Burns—We have conducted 15 review audits, two decisions have been made. One decision was to reduce the period to one year and one decision was not to vary the period. The other decisions are still to be made.

Senator CHRIS EVANS—Which was the one you reduced from two to one?

Mr Burns—Mertome.

Senator CHRIS EVANS—Yes, the one in Perth. We seem to be getting more than our fair share of those in Western Australia.

Mr Goggs—Senator, I thought I had that date, but I am sorry I do not have it with me. I will undertake to provide it to you.

Senator CHRIS EVANS—It is true that the date of his conviction is some time prior to 1998, isn't it, Mr Goggs?

Mr Goggs—It was in either 1997 or 1998. I just cannot remember off the top of my head.

Senator CHRIS EVANS—The point I am trying to make, and which you will probably understand, is that he has been a convicted person for some time. It was brought to the department's attention some three years or more ago. I am not quite sure but last time when I asked about it in estimates in May 2000 there was some technical problem with the assertion that he was convicted. Why are we now able under the new act to decide that we can find out that he was convicted when we could not previously? I understand what has changed with the act, but I do not understand what happened with the investigation of Mr Menere.

Mr Goggs—I am not clear why there is a difference now from then, but Mr Menere had made certain assertions in relation to the validity of his conviction. On the most recent checks with the court concerned, it now appears that the assertions that he had made were not correct and that there was a valid conviction and it still stands.

Dr Graham—Senator, I think to some extent the new legislation is much more specific about an indictable offence being the criterion for unsuitability. The industry was advised of the new legislation and we received a letter from the company concerned, indicating that he would no longer be a key personnel.

Senator CHRIS EVANS—You finally got him because he confessed, did he?

Dr Graham—The obligation is on the industry.

Senator CHRIS EVANS—Yes, well, some would say the obligation was on the department since 1997. That might be a bit hard. You are telling me that you finally found out that he had an indictable offence because he confessed to it?

Dr Graham—No. We found out that he did have an indictable offence. Part of the earlier debate may have been the relevance of that indictable offence. The new legislation makes that very apparent.

Senator CHRIS EVANS—No, Dr Graham, that is not right. That is not right. I do not think we ought to go down that path. We had a very clear discussion about this. I raised originally why you had not responded to a complaint from people concerned about him having a conviction for stalking. You advised me—and we can go back to the *Hansard* and confirm this—that in fact the complaint had been mislaid for a couple of years. When we finally pursued it at estimates you admitted that you did have a complaint, that it had not been acted upon, and that you would follow the matter up.

As I recall, in May when I further pressed the matter with you about Mr Menere who, quite frankly, had been notorious and had been the subject of much press coverage about this conviction—it was known to everybody, it seems, but the department; but you did know because you had received complaints—you then said to me you were not able to ascertain whether or not he had been convicted. That was your evidence in May 2000. I do not have the *Hansard* in front of me, but I will get that if you want. It was not a question about the act. Ms Murnane said to me she had not been able to ascertain, and the then legal adviser said he had not been able to ascertain, whether or not he had been convicted.

Ms Murnane—That is true.

Senator CHRIS EVANS—Well, that may be true, but I do not want to have a debate pretending that was not what we discussed, because it was.

Dr Graham—No, Senator; the point I was trying to make is that the new legislation I think makes it very apparent that the—

Senator CHRIS EVANS—No, we will come to that, but the question is: how did you find out eventually, after three or four years, that Mr Menere had a conviction? Are you telling me that the only reason that you found out that Mr Menere had a conviction was that the company wrote to you and said that?

Mr Goggs—I think I can confirm that we did seek yet further clarification from independent legal advisers in relation to the status of the conviction of Mr Menere close to the end of last year, and that confirmed that the conviction was made and still stands.

Senator CHRIS EVANS—You confirmed that when, Mr Goggs?

Mr Goggs—As I understand it, that was in November or December of last year. That issue was put specifically to the approved provider of both Kenilworth and Belvedere and, in response to that issue being raised with them, the approved providers in both cases indicated that Mr Menere would be removed as a member of the key personnel.

Senator CHRIS EVANS—So, when you fronted them with what you thought now was conclusive evidence, that is when they said he would be removed?

Mr Goggs—Yes.

Senator CHRIS EVANS—Okay, thanks for that. Now I just want to get back to this point that Dr Graham made, because it seemed to me that under the act, prior to the amendments, an individual with a conviction could be found unsuitable as a provider and have their approval revoked under section 10. Is that not right?

Mr Goggs—It is true, Senator, that one of the factors that has to be taken into consideration when considering whether an approved provider is suitable to be an approved provider is the suitability of the key personnel, and one of the factors that goes to that suitability is whether or not they have been convicted of an indictable offence. The link between the factors and the suitability is not as clear cut as the link between being a disqualified individual and not being permitted to be a member of the key personnel. So then in relation to being suitable to be an approved provider, that is just one of the factors that goes to making up the decision as to whether either the provider or the key personnel are suitable.

Senator CHRIS EVANS—But you were quite clear in your evidence that it was not until November or December last year that you actually got to the point, despite receiving the complaint in May 1998, of deciding that you knew that Mr Menere was a convicted stalker. Is that right?

Mr Goggs—Yes, that is correct, Senator.

Senator CHRIS EVANS—So what can you tell me now in terms of what this means for Mr Menere and what role he can play in an aged care facility?

Mr Goggs—As a disqualified individual, he is not eligible to be a member of the key personnel, which means that he is not to be one of the people with responsibility for management of the service. He is not to be a person who has an executive decision making role at the service. Nor is he to be responsible for the overall provision of nursing care, or to be responsible for the provision of managing the day-to-day care of residents.

Senator CHRIS EVANS—What does that mean for ownership?

Mr Goggs—It means that, to the extent that he was a director of the company which was the approved provider, he should not be a director of that company, given that the directors are the people who make the executive decisions in relation to the affairs of the company.

Senator CHRIS EVANS—I am not very good on corporate law—in fact, my knowledge of it is basically non-existent, Mr Goggs—but what does that mean if he still owns the thing, is the beneficiary of any profits from the nursing home, but is not included as a director? Is that precluded, or not?

Mr Goggs—If he is not a person who is responsible for making executive decisions—for example, if he is not a director of the company—I think he would not be precluded.

Senator CHRIS EVANS—I am not sure what the structure is, and maybe we ought to do this in terms of a hypothetical and not in relation to Mr Menere, but a disqualified person may still be the owner and/or beneficiary of any proceeds from the operation of a nursing home? Is that fair?

Mr Goggs—Yes, I think it is fair to say that, Senator.

Senator CHRIS EVANS—So you have been advised that they have removed Mr Menere as a director? Is that right?

Mr Goggs—Yes, the advice that we have had from the legal representatives of the companies is that he has ceased to be a member of the key personnel of both of the companies.

Senator CHRIS EVANS—Do you have any advice as to ownership of the companies?

Mr Goggs—Senator, we do have information from the Australian Securities and Investment Commission in relation to the shareholdings of the companies, and I understand that he is a shareholder of each of the companies.

Senator CHRIS EVANS—Do you know what his shareholding is?

Mr Goggs—I cannot tell you off the top of my head, but certainly that is publicly available information and we could provide that to you. You might be able to access it yourself.

Senator CHRIS EVANS—Thank you. If you have it, provide it; otherwise I can get it myself. If you have it, I would appreciate it.

Mr Goggs—Certainly we can provide that to you, Senator.

Senator CHRIS EVANS—Thank you very much for that. While we are on our favourite customer, can somebody explain to me the import and implications of the AAT decision in December 2000 which overturned sanctions against Belvedere Park and Kenilworth?

Mr Goggs—I can certainly try to do that, Senator. It is a rather lengthy decision and covers a range of different factors.

Senator CHRIS EVANS—I read the executive summary.

Mr Goggs—The practical effect of the decision is in relation to the imposition of sanctions at both Kenilworth and Belvedere. At Kenilworth in relation to three of the sanctions that were imposed by the department on the approved provider at that home, the tribunal determined that while there had been a noncompliance with the responsibilities of the approved provider, the measure of the sanction that was imposed and the way the sanction was imposed was not appropriate. For example, for one sanction where it was in place for a longer period the tribunal said the sanction should only have been in place for a period of approximately six weeks, and for two sanctions where the decision had been made to go straight to the imposition of a sanction on the basis of immediate and severe risk, the tribunal found that, while there had been a noncompliance, it was not sufficient to warrant moving straight to a sanction on that basis.

Senator CHRIS EVANS—Thank you.

Mr Goggs—And, just finishing, in relation to Kenilworth, there was a fourth sanction that was the subject of those proceedings and which has not yet been resolved, so those proceedings are still pending in relation to that.

Senator CHRIS EVANS—Have you appealed the AAT decision?

Mr Goggs—No, we have not, Senator.

Senator CHRIS EVANS—Are you proposing to appeal?

Mr Goggs—It is not proposed at this stage, Senator, no.

Senator CHRIS EVANS—So what is the standing, then, of those sanctions which were imposed? Kenilworth is an academic point these days, but in terms of Belvedere Park?

Mr Goggs—In relation to Belvedere, the tribunal was looking at two matters and, in relation to the two sanctions that were imposed there, the tribunal also decided that it was not appropriate for the department to have moved to the imposition of sanctions on the basis of immediate and severe risk, even though there had been a noncompliance. So the practical effect is that the sanctions that were in place that were reviewed by the tribunal are no longer in place.

Senator CHRIS EVANS—Were those loss of licences?

Mr Goggs—There was a sanction in relation to Kenilworth which was the revocation of five allocated places, and that is the one decision that the tribunal has left pending.

Senator CHRIS EVANS—I see. I thought there were at least two sanctions on revocation of licences imposed on Kenilworth. That is certainly what the minister said in the House.

Ms Hefford—Yes, that is correct, Senator, and those have now—is the word ‘reverted’?

Mr Goggs—Yes. The sanctions are as if they had never been imposed.

Ms Hefford—Kenilworth had 30 places. We had revoked on two separate occasions. One of those has now been overturned by the AAT. Kenilworth stands with 25 places at the moment, and the five other places revoked is the sanction yet to be addressed by the AAT.

Senator CHRIS EVANS—So is the practical effect of that that the owner of Kenilworth now has 25 bed licences—

Ms Hefford—Twenty-five today.

Senator CHRIS EVANS—which are available for sale?

Ms Hefford—Yes.

Mr Goggs—That is correct, Senator.

Senator CHRIS EVANS—And there are five in dispute?

Ms Hefford—Correct.

Senator CHRIS EVANS—And that is still the subject of a decision from the AAT, so in effect he has won back those licences that were proposed to be stripped from him. Is that fair?

Ms Hefford—Yes.

Mr Goggs—Yes, that is right, Senator.

Senator CHRIS EVANS—Please correct me if I get the terminology wrong.

Mr Goggs—There has been a further decision in relation to an intention to revoke a further five places, but that has not yet proceeded to sanction, so that the only allocated places that have currently been removed from that approved provider are the five that are subject to the proceedings in the AAT.

Senator CHRIS EVANS—And the intention to revoke the other five is subject to an AAT decision?

Mr Goggs—It is not subject to an application in the tribunal at the moment, but the department has not taken the last step in relation to those, pending the tribunal's decision.

Senator CHRIS EVANS—Say that to me again, Mr Goggs. The logic of it is that you stripped him of five or 10?

Ms Hefford—Two successive occasions, five on each.

Senator CHRIS EVANS—And you moved to the final point on both of those?

Ms Hefford—Yes, and then on a third occasion we went, intention to revoke a further five, and then the AAT process commenced.

Senator CHRIS EVANS—What is the status of those three groups of five then? One has been knocked off.

Mr Goggs—That is right, so those five places are back with the approved provider. The second is yet to be determined by the tribunal, so those are currently removed from the approved provider, and the third has not actually progressed to the imposition of a sanction.

Senator CHRIS EVANS—Is it your intention to progress to that point or not?

Mr Goggs—On that third one?

Senator CHRIS EVANS—Yes.

Mr Goggs—Not at this stage.

Senator CHRIS EVANS—Is the one that is currently before the AAT an application by the provider to have the decision overturned?

Mr Goggs—Yes.

Senator CHRIS EVANS—When will that be heard?

Mr Goggs—We have not had a date from the tribunal at this stage.

Senator CHRIS EVANS—You did not actually get to the point of removing any licences at Belvedere Park, did you?

Ms Hefford—No, that is right.

Senator CHRIS EVANS—The sanctions that were overturned by the AAT there were what?

Mr Goggs—In terms of the restriction of funding in relation to current residents.

Senator CHRIS EVANS—I see. That was that six-month ban on new residents, et cetera.

Mr Goggs—That is right.

Senator CHRIS EVANS—That has been removed also?

Mr Goggs—That is right.

Senator CHRIS EVANS—Are there any other issues at stake at Belvedere Park yet to be determined?

Mr Goggs—No, there are no other matters before the tribunal.

Senator CHRIS EVANS—Effectively, there are no sanctions at Belvedere Park now?

Mr Goggs—That is correct.

Senator CHRIS EVANS—What does that decision mean for your sanctions regime? It seemed to me, to a layman reading the decision, that it was a fairly decisive decision in favour of the provider. Has that caused a rethink of the sanctions regime and whether it is going to prove to be effective?

Mr Goggs—Obviously, Senator, the department needs to consider the tribunal's decision very seriously. What the decision highlights is that, where there has been identified noncompliance by an approved provider with its responsibilities, there is a very close scrutiny that has to be paid to the facts situation before the department should decide that that situation is immediate and severe in terms of the imposition of the sanction. But in terms of the integrity of the process with the imposition of sanctions, I do not think that it undermines it at all.

Senator CHRIS EVANS—This may be a policy question and, if it is, I am happy that it be ruled out, as I am not trying to pry. Has this caused the department to look at the act and whether or not there are going to need to be legislative changes?

Ms Hefford—No, not at all. The AAT formed a different view to the view formed by the delegate in the department, looking at the issues in relation to Kenilworth.

Senator CHRIS EVANS—Do you think they went to the facts of the case rather than to underlying legal principles?

Mr Goggs—Very much so, Senator, yes.

Ms Hefford—And the ruling was very specific to a particular case, a particular service, a particular approved provider. There do not appear to us to be implications for our other operations.

Mr Podger—Senator, we looked very carefully at the issue of whether to appeal or not. While the AAT took a different view to the departmental delegate on some matters, on the really critical matter—that of the provider breaching a number of its responsibilities in relation to care issues at Kenilworth—it supported the delegate's view. And, of course, since the AAT made its decision, the last of the Kenilworth residents have opted to leave the home. The AAT's decision in respect of both homes was decided, as was mentioned, on very specific facts, and the AAT decisions are not binding in terms of precedent, unlike decisions of the court. Those were factors for us not to appeal. Frankly, there were several aspects of the decision that the department would seriously question and its legal advisers would have disputed, but in view of all the circumstances and the lack of precedence set by the decision we have not appealed.

Senator CHRIS EVANS—I thought you would get something like that on the record at some stage, Mr Podger. I would have bet money on you getting it on. I appreciate that. Is there any other individual that has been disqualified under the provisions of 10A?

Mr Goggs—Under the new provisions in relation to disqualified individuals?

Senator CHRIS EVANS—Yes.

Mr Goggs—I understand that there may be a situation where the directors of another company have been convicted of an indictable offence and the department is currently looking into that to bring that to the attention of the approved provider as well.

Senator CHRIS EVANS—Is this a complaint you received or, again, a confession?

Mr Goggs—This is in relation to information that the department has in relation to a conviction. It was not a matter of a complaint, as far as I know, but I am not entirely certain of how the department came about the information.

Senator CHRIS EVANS—If the department has information that one of the directors might have been convicted of a criminal offence, what then is the process when you get that information? Do you write to them and say, 'Is this true'?

Ms Hefford—Sorry, can I just go back and say something? The amendments make it clear that it is the approved provider's responsibility to identify anybody who is a disqualified individual and the department has written to all approved providers and explained this process. My understanding is that throughout the industry approved providers are now using a process to ensure that they are not employing key personnel who are disqualified individuals. In relation to the particular situation that Mr Goggs was talking about, we did have a complaint about that particular approved provider or key personnel some time ago, and I understand that a process is now under way to bring that to the attention of the approved provider.

Senator CHRIS EVANS—What do you mean, Ms Hefford, when you say it was received some time ago?

Ms Hefford—There was a complaint dealt with some time ago and, as an aside to that complaint, information was given to us about one of the key personnel, and I think that that is now being dealt with under the disqualified individuals arrangements.

Senator CHRIS EVANS—How is it dealt with? What does the department do, presuming that they do not all confess?

Ms Hefford—We wrote to every approved provider. The department is not responsible under the legislation for identifying disqualified individuals.

Senator CHRIS EVANS—I understand that, Ms Hefford, and I know that is a cause of some concern, but you told me you got a complaint or had been notified. If I write to you now and say there is a convicted stalker running two nursing homes in Melbourne, what do you do?

Ms Hefford—Probably a number of things. The issue of the key personnel would go to Mr James. If I thought there was any possible impact on care, I would look at whether or not there had been a site visit lately and things of that kind, but the disqualified individual issue is one for Mr James.

Senator CHRIS EVANS—What do you do, Mr James?

Mr James—We are still bedding down the arrangements but as Ms Hefford has described it is accurate. The responsibility is on the provider to notify us and to check their own key personnel. That process, I know, from having spoken to the providers in a number of states, is pretty well in train.

Senator CHRIS EVANS—I am getting lots of letters about your regs, too.

Mr James—That is interesting to hear. If we have information, then obviously we have to determine the veracity of that information. We would write to the provider and say, ‘We have this information that seems to indicate that there may be issues. You may have someone with a convicted indictable offence or a bankrupt,’ et cetera. Then we have to wait and hear what they have to say and, following that, we have sanctions action if it does prove to be the case that they do have someone. They actually have to remove a key person or else we can take sanctions action.

Senator CHRIS EVANS—Yes. I am more interested in the concerns I have raised in relation to the complaints system and the investigation of Mr Menere. What do you do proactively? Do you write to me as a convicted criminal and if I say, ‘No, I’m not,’ is that the end of the matter?

Mr James—No.

Senator CHRIS EVANS—I am just concerned at what you are doing. You are very keen, it seems, to push the emphasis back onto the providers, and I understand that, but what do we do when someone like Mr Menere denies it?

Mr James—When all these cases come to our attention we make our inquiries with the appropriate channels—courts, et cetera—to try and determine the matter. I am not familiar with the Menere case myself particularly but—

Senator CHRIS EVANS—But you can assure me that if you get complaints like that you will actively pursue them?

Mr James—We investigate them, we check with the AFP and we do the appropriate checks, absolutely; we do not just file them away for another day. Where information comes to our attention we have to follow it up.

Senator CHRIS EVANS—Okay, thanks for that. Could I ask someone for an update on the two-year review, or is it called the four-year review now—I am not quite sure.

Mr Stuart—Sorry, Senator, what would you like to know about the two-year review?

Senator CHRIS EVANS—I would like to know when it is going to be completed, basically.

Mr Stuart—The review at this stage is still with Professor Gray, Senator. He has advised the minister recently that he is close to concluding his report, but at this stage it is still with him.

Senator CHRIS EVANS—When was he originally supposed to report, Mr Stuart?

Mr Stuart—Senator, I am not aware that there was a formal deadline imposed. I think the general expectation was that he would report in about the middle of last year.

Senator CHRIS EVANS—That is the sort of evidence you gave me before. How are we paying for this? How are we funding this review?

Mr Stuart—It is being funded out of departmental resources under a contract with Professor Gray.

Senator CHRIS EVANS—So has the contract been renegotiated?

Mr Stuart—Yes, it has.

Senator CHRIS EVANS—And what is the extent of the renegotiation? I do not want the exact detail, but have you contracted him now till the end of this financial year?

Mr Stuart—We have contracted with him for an additional amount for the additional work this year.

Senator CHRIS EVANS—How much is that?

Mr Stuart—I am sorry, I do not have that information with me.

Senator CHRIS EVANS—Perhaps you could take that on notice, how much for the additional contract and how much in total it is going to cost. He produced a couple of interim progress reports. Has he produced a final draft to the minister?

Mr Stuart—Senator, I have just been advised that the additional payment for this year is \$30,000.

Senator CHRIS EVANS—So what does that bring the total to?

Mr Stuart—I am sure I will be told that in a moment. I am happy to take that on notice. We do not seem to be very certain about that. I am sorry, I missed your question, Senator.

Senator CHRIS EVANS—I understand that last time we spoke about this he was close to providing a final draft to the minister. Has that occurred and has she then sent that back?

Mr Stuart—Senator, at this stage Professor Gray is finalising his report. He has not yet sent his final report to the minister.

Senator CHRIS EVANS—Did he provide a draft report to the minister?

Mr Stuart—Yes, Senator, he has provided a draft report to the minister.

Senator CHRIS EVANS—And has feedback been provided on that draft report by the minister and/or the department?

Mr Stuart—The department has provided feedback to Professor Gray over a long period. As far as I am aware there has been no feedback from the minister to Professor Gray.

Senator CHRIS EVANS—Has the department or the minister provided feedback on the draft report? I know he did a couple of progress reports—that is probably the best way to describe them—but in terms of that draft report has there been feedback provided, either by the minister or the department, or by the minister through the department? Have people looked at the draft report and provided him with feedback?

Mr Stuart—The department has provided feedback to Professor Gray on the basis of a draft report. That report was provided to the department very late last calendar year, I think just before Christmas.

Senator CHRIS EVANS—And what is the nature of that feedback? Has it suggested amendments? Was it a response to factual information? Are you editing it or are you just responding to requests for factual information or what are you doing with it?

Mr Stuart—We have responded throughout the period to requests for factual information. We have provided Professor Gray with a large amount of information, but on the basis of the last report we have mainly been providing him with information as to the accuracy of some of his drafting.

Senator CHRIS EVANS—So you dispute some of his stuff?

Mr Stuart—There would have been one or two conclusions on which we differed as to the interpretation of the data, and there was also some data provided which the department thought was inaccurate, where we have provided correct information.

Senator CHRIS EVANS—He wasn't using those waiting list times, was he? Sorry, Mr Stuart, that was an unfair question.

Mr Stuart—I can't exactly recall.

Senator CHRIS EVANS—Yes, an 'I can't recall' defence! All right, so are we any closer to an understanding of when the four-year review will be completed?

Mr Stuart—Senator, Professor Gray has been moving employment within Victoria, and has been exceptionally busy. As well as that, he has undertaken an additional process of consultation late last year through focus groups—

Senator CHRIS EVANS—I am not criticising Professor Gray. I understand there have been some changes made in the directions, et cetera, but when are we likely to get to the end of this process?

Mr Stuart—I think that would be a question best asked of Professor Gray, but I understand we are very close.

Senator CHRIS EVANS—Well, Mr Stuart, you are paying him. You just told me you gave him \$30,000. Are you telling me you told him to finish it when he likes?

Mr Stuart—No, Senator.

Senator CHRIS EVANS—No. So when did you ask him to finish it by?

Mr Stuart—The understanding was that a final report would be provided to the minister just before Christmas.

Senator CHRIS EVANS—This year?

Mr Stuart—No, last year.

Senator CHRIS EVANS—Yes, but that has not happened obviously.

Mr Stuart—That has not happened, so we are in discussions with Professor Gray.

Senator CHRIS EVANS—Sorry, that is not fair: he did provide a final report, a draft report, before Christmas last year on your evidence.

Mr Stuart—I think we would need to be careful there with terminology, because it was not a final report; it was a draft report.

Senator CHRIS EVANS—Yes. I am happy for you to choose your own words, Mr Stuart, but as I understand it you gave evidence that he provided a draft report before the end of last year.

Mr Stuart—Yes.

Senator CHRIS EVANS—You have now provided feedback to that report to him. I am just trying to ascertain what now is required of him, and when we will see this report that we are purchasing on behalf of the taxpayers of Australia.

Dr Graham—Senator, I would think Professor Gray would finalise his report and submit it to the minister in the very near future, and then it is up to the government to decide what it will do with the report.

Senator CHRIS EVANS—I understand once we get that far that that then becomes a question of ministerial discretion, but I am just trying to get clear in my own mind when he will finish his work and provide that as commissioned. You think that will be fairly soon, Dr Graham?

Dr Graham—That is my understanding, yes.

Senator CHRIS EVANS—Thanks for that. How are we going in terms of finalising the National Strategy on an Ageing Australia?

Dr Graham—Senator, as you know, the discussion papers went out over the last year or so. At this point of time the comments that have been received from those discussion papers are being pulled together and there is some work going on within the department to start to develop an outline for the national strategy.

Senator CHRIS EVANS—Work going on to prepare an outline?

Dr Graham—Yes.

Ms Murnane—The minister has appointed an expert group that includes Professor John McCallum, the dean of health sciences at the University of Western Sydney, Professor Tony Broe, professor of medicine at the University of Sydney, Dr Greg Cutbush, an economist based with ACIL in Canberra, and Mr Michael Warby, of the Melbourne Institute. That group is considering the responses that we have and preparing advice to the minister on what might be the key planks—what we should respond to and how we should do that.

Senator CHRIS EVANS—All right, there is an expert group that has been appointed. When were they appointed, Ms Murnane?

Ms Murnane—About the middle of last year, about August-September last year, Senator. That is probably not exact, but around about that time.

Senator CHRIS EVANS—Perhaps you could take that on notice for me, just so I have a feel for that. As I understood it, this was a national strategy that was being written by the department in response to the discussion papers. Do I take it the process has changed somewhat?

Ms Murnane—I do not know if it has changed.

Senator CHRIS EVANS—The expert group was not envisaged when it was announced, was it?

Ms Murnane—Things evolve. We had comprehensive responses to each of the papers and the minister wanted to get a broad view on those responses and a review on what the shape of a national strategy might be. The minister also chairs a ministerial reference group, and it will be that ministerial reference group of course that will determine the final product.

Senator CHRIS EVANS—That is a ministerial group, is it, Ms Murnane?

Ms Murnane—Ministerial reference group.

Senator CHRIS EVANS—Is that a committee of ministers?

Ms Murnane—A committee of ministers, yes. As well as that, the minister has convened an employment group that comprises CEOs of a number of Australia's top employers—one of her concerns is the employment of older Australians—and that also will feed into the national strategy. It might be invisible at the moment, but there is a lot being done there.

Senator CHRIS EVANS—When does that look like coming together?

Ms Murnane—This will be up to the government. We are talking about probably the second half of this year. When exactly, I cannot say.

Senator CHRIS EVANS—The national strategy will be finalised and announced in the second half of the year. Is that the position?

Ms Murnane—I have said around about that time. When it is going to be announced and what is announced is, of course, a major policy decision of the government.

Senator CHRIS EVANS—Yes, I accept that. It has been on the books for some time. You have performance indicators and outcomes and, as I say, this is news to me. The last few times I have asked about it, we have been talking mainly about discussion papers. I did not know about this expert group—I missed that—but I am trying to get a feel for when it is likely to come together basically.

Ms Murnane—I do not think I can say any more than I have said, Senator.

Senator CHRIS EVANS—Do I infer then that in a sense some of the responsibility has moved outside of the department to this working group?

Ms Murnane—I chair the working group. I chair the expert group, so it is basically bringing an outside perspective in to assist the department, to work with the department.

Senator CHRIS EVANS—Apart from you, which you modestly failed to mention, is there anybody else apart from those names you mentioned earlier?

Ms Murnane—Dr Graham attends the meetings and a couple of senior officers from the head of the Office of Older Australians and a director of the Office of Older Australians.

Senator CHRIS EVANS—In terms of non-departmental people they were the four you mentioned, were they?

Ms Murnane—I have mentioned before, yes.

Senator CHRIS EVANS—Thank you for that.

Dr Graham—My understanding is that in the early days of the national strategy it was planned to have an expert working group to support this stage of it.

Senator CHRIS EVANS—Can someone tell me if the evaluation of the extended aged care at home pilot by Siggins Miller has been completed?

Mr Stuart—Senator, the evaluation of extended aged care at home is very close to completion. I have now personally seen two drafts and expect to see a final one shortly.

Senator CHRIS EVANS—These are drafts by the consultants?

Mr Stuart—That is correct.

Senator CHRIS EVANS—Will the final report then be presented to the minister?

Mr Stuart—I would expect to brief the minister about the final report.

Senator CHRIS EVANS—Will that then be a public document?

Mr Stuart—The evaluation is being prepared for the department and I will need to take advice and discuss with the minister whether it is a public document.

Senator CHRIS EVANS—Perhaps you can take that on notice. I am sure I am not the only one; there is a lot of interest around the sector in the evaluation. I am sure there is nothing politically sensitive about it. But perhaps you can take on our registration of interest in that report when it becomes available. When is the likely time line then, Mr Stuart? Do you think we are close to seeing the final report?

Mr Stuart—I think there will be a final report during March.

Senator CHRIS EVANS—Has the consultancy awarded to the University of Sydney to review healthy ageing research been completed?

Dr Graham—I am not aware. Is that in the annual report, Senator?

Senator CHRIS EVANS—Yes, page 435. I have surprised you. I was prepared for that. It is under your list of consultancies.

Dr Graham—Yes. That one has been completed. That was done on behalf of the working group under the Community Service Ministers Advisory Council, and it is to be presented to that advisory council in the near future.

Senator CHRIS EVANS—Will that be made public when that is done?

Dr Graham—I think the ministers were giving consideration as to whether or not it would be released.

Senator CHRIS EVANS—Again, I will register my interest and perhaps you could take on notice the question as to whether that could be made available. What about the Safe at Home trial? Can someone give me an update on how that is going?

Mr Bruen—Senator, the Safe at Home trial is still in progress, although it is winding down. The evaluation has been completed and the report has been submitted to the minister.

Senator CHRIS EVANS—Is that going to be publicly available?

Mr Bruen—You would have to ask the minister.

Senator CHRIS EVANS—Can you ask her for me, please? You see a lot of her these days.

Mr Bruen—I will ask her, certainly.

Senator CHRIS EVANS—You can take it as a formal request—if it is going to be made available—but the trial is still continuing, is it?

Mr Bruen—Yes, because we did not want to terminate people just because the trial had ended. Basically there have been no new people going on to these personal alert systems, and we are continuing to fund them while they still need them.

Senator CHRIS EVANS—Good. Without divulging what is in the report, can you give me an overview of whether the trial has been successful or not?

Mr Bruen—Yes. The trial found overall that there were two beneficial effects from these personal alert systems. One is in regard to the people that actually use them and who have an emergency. That was very small in number over the period of the trial. The other beneficial effect was the feeling of security that people experience by having these alert systems, even though they did not use them. This trial was really fairly small in the overall context of the availability of these devices because they are already funded through the HACC program and the care package program as well.

Senator CHRIS EVANS—A number of the state governments have had trials or roll-outs of certain devices as well, haven't they?

Mr Bruen—Yes. Victoria in particular asked that we not conduct our trial in Victoria. They would provide the results of their trial, which was on a statewide basis, to us. We have not received that yet, but they said they will do it.

Senator CHRIS EVANS—How many did they make available in Victoria? Do you know?

Mr Bruen—I do not know. Their trial was slightly different. It was operated centrally by the state. In our trial we simply funded a number of organisations to provide them with our assistance as necessary.

Senator CHRIS EVANS—I remember looking at getting one for my dad at one stage and the expense put me off. At what cost have you been providing those?

Mr Bruen—We have not stipulated a cost. That is up to the provider organisations. The commercial organisations that provide these have a range of different options, according to whether you lease them or purchase them, and they vary considerably in their up-front fee, the installation costs and the maintenance costs. This is discussed in the evaluation report.

Senator CHRIS EVANS—You funded an organisation, which then went out and purchased or leased on their own terms?

Mr Bruen—That is correct.

Senator CHRIS EVANS—And there were a variety of different arrangements inside the trial, were there?

Mr Bruen—Yes, that is correct.

Senator CHRIS EVANS—All right. I am happy to look at that when it comes through. The 1999-2000 budget allocated \$6.6 million over four years to reduce falls in older people. Has there been any evaluation yet of that program and its success?

Mr Bruen—Senator, that is not covered in outcome 3.

Senator CHRIS EVANS—Sorry.

Mr Podger—It is actually under outcome 1. It is handled under population and health, Senator. If you want to put something on notice, we can answer that.

Senator CHRIS EVANS—No, I will send him a couple of questions. I was just interested in knowing whether they had had any success with it. I will put some questions on notice under program 1. Can I ask a few questions about Carelink?

Mr Bruen—Yes.

Senator CHRIS EVANS—I gather we have had a bit of a delay with Carelink's implementation. Is that fair?

Mr Bruen—Not a delay, in that there never was an original target date set. The Carelink arrangements are almost finalised. We expect it to be operational very soon.

Senator CHRIS EVANS—Are any centres operational currently?

Mr Bruen—No.

Senator CHRIS EVANS—Wasn't this originally done in the 1999-2000 budget?

Mr Bruen—Yes, that is correct. It has taken that length of time to seek tenders to operate the Carelink centres, to have the organisations sign up on contracts and to organise the 1800 number. Part of the difficulty is that—well, it is not a difficulty, it is an advantage of the system—because there is a single national 1800 number for the network, you need to have all the centres online before we publicise the 1800 number, so we have to wait really until the last centre is online, which is about to happen.

Senator CHRIS EVANS—But there is none actually operational yet?

Mr Bruen—No.

Senator CHRIS EVANS—They will all become operational on the one day, will they?

Mr Bruen—That is correct, yes, and there will be national publicity then for the 1800 number.

Senator CHRIS EVANS—What happened to the money you have allocated in 1999-2000 and 2000-01? Is there a carry forward on that then?

Mr Bruen—Yes, there has been a rephrasing of that.

Senator CHRIS EVANS—Not a reversal—a rephrasing?

Mr Bruen—Yes, we have rephased \$2½ million of that into this year.

Senator CHRIS EVANS—From 1999-2000?

Mr Bruen—From 1999-2000 to 2000-01, yes.

Senator CHRIS EVANS—If you do not have these centres up and running yet, you are not going to spend \$11.8 million from this year, are you?

Mr Bruen—We are funding them, because there is a fair degree of set-up costs involved. We fund them quarterly. We have made a number of payments already to these centres even though they are not actually operational. There are considerable costs, in fact major costs, in setting them up.

Senator CHRIS EVANS—I suppose there is a potential that you will not spend all of that this year, though, if you do not get them up and running until the last quarter of the year.

Mr Bruen—There is that potential. The other unknown is that we are funding the phone costs for the 1800 number centrally and we do not really have an accurate idea of how many calls are going to come, so we may have overestimated for that. I do not think we have underestimated, so there may be some underspending if the number of calls is not as great as we imagine.

Senator CHRIS EVANS—The cost of the 1800 number comes out of that budget as well, does it?

Mr Bruen—Yes, that is correct.

Senator CHRIS EVANS—You pay a fee to have the 1800 number, do you?

Mr Bruen—We pay a fee, plus we pay a call cost, yes.

Senator CHRIS EVANS—Is that the only reason, then, why centres have not been up and running—because of this delay, waiting on the 1800 number?

Mr Bruen—No. There was some delay—not a delay, but it took some time for all centres to sign the contracts. The department is fairly strict these days in terms of the contracts it enters into with organisations and some of the centres consulted their legal advisers before they would sign.

Senator CHRIS EVANS—A couple of them spoke to me about it, too, yes. In effect though, obviously, you actually held people back from starting in the sense that you wanted them all to start on the one date.

Mr Bruen—With the 1800 number. Yes, that is correct.

Senator CHRIS EVANS—And you did not think they could start before you had that number?

Mr Bruen—No, because if the 1800 number gets publicised and you ring from a region where a centre is not operating, you would not get an answer, and people will not ring again. If they ring once and do not get an answer, they are not going to ring it again, so we want to ensure that, when people do ring the 1800 number, the call will be answered.

Senator CHRIS EVANS—What is the involvement of the divisions of GPs in the implementation of Carelink?

Mr Bruen—One of the Carelink centres in Perth is being operated by a division of GPs. That is the only direct involvement. But Carelink centres are aimed at providing information for GPs and other allied health professions.

Senator CHRIS EVANS—The divisions of GPs are not receiving funds to employ project officers to assist with the program?

Mr Bruen—The Canning division in Perth is.

Senator CHRIS EVANS—That is the only one?

Mr Bruen—That is the only one that is operating it directly.

Senator CHRIS EVANS—They do not have some funding through the enhanced care program or something?

Mr Bruen—Not for Carelink, that I am aware of.

Senator CHRIS EVANS—The other issue—which I am going to treat sensitively, but it has been raised with me by a number of, basically, unsuccessful applicants for Carelink—is a concern about a conflict of interest, for want of a better term, of some of the people awarded contracts who also provide services, and concern that the contract for the Carelink centre has gone to the main provider of services or one of the large providers of services in the region. What is your view about that and have you put in place any protections to deal with that concern?

Mr Bruen—Yes, we are aware of those criticisms. If you are going to award these contracts to people that are experienced in the area, you are inevitably going to award them to existing service providers. We have made provision in the contracts to ensure that they are required to give out information on all services in the region. My experience in this field over the last few years is that there is no shortage of clients for these services. In fact, it is usually the other way around: there is more likelihood of services wanting to refer on clients rather than feeling they are being deprived of clients, so I am not quite sure—

Senator CHRIS EVANS—That has been my experience, too. That is what they say. Another number to ring is not what they need. They make an argument for more services, basically, don't they?

Mr Bruen—Yes. To be fair, the government is increasing spending on community care services and a whole range of programs. But our market research in fact shows us the opposite. People are saying that they want one number to ring and that at the moment one of the big hindrances to accessing services is that they do not know who to ring.

Senator CHRIS EVANS—I accept that that is the concern, especially in terms of some of the carer programs. As you say, the problem is that they have more clients, and really it is a question of finding someone who can help the person coming through.

Mr Bruen—Yes. I do not see why they should be concerned about being deprived of clients. Most people tell us that they have as many clients as they can cope with.

Senator CHRIS EVANS—It is not so much 'deprived of clients'. I suppose they are just concerned that the organisation who is taking the call will get to cherry-pick, in a sense, but they also would like the chance to determine which clients they deal with first.

Mr Bruen—That is certainly something that we will be monitoring. We are aware of that criticism.

Senator CHRIS EVANS—Can I ask a couple of questions about respite. Can someone clarify for me what the planning ratios for resident respite beds are?

Mr Bruen—There is no planning ratio as such, in the sense that there is a fixed allocation corresponding to the 100 places per thousand. However, what gets allocated are approved respite care days. There is a planning target there of three places per thousand people—70-plus—converted to a number of respite days, but that is not three places in addition to the 100. It is three of the 100 or of the residential care ratio of the 90.

Senator CHRIS EVANS—How did you deal with respite beds in the last planning round?

Mr Bruen—They are not dealt with directly in the planning round. Providers can apply for an approved number of respite care days. They can do that in the planning round or they can do it subsequently. It is a different process.

Senator CHRIS EVANS—How do you know that the three beds have been supplied?

Mr Bruen—Being supplied or being approved?

Senator CHRIS EVANS—Both, I suppose.

Mr Bruen—We know how many place days we have approved. At the moment the figure is around 2.6 places per thousand, but we have cashed out some of that additional money for the provision of purchased care through carer respite centres. The whole three per thousand is not being allocated directly to residential care. Some of it is being allocated indirectly through the carer respite centres to purchase a range of things.

Senator CHRIS EVANS—You fund respites for a number of programs, don't you?

Mr Bruen—We do, yes.

Senator CHRIS EVANS—Are you able to give me figures on expenditure on respite in each of those programs? I do not mean now, but if I asked you to take it on notice?

Mr Bruen—Yes, we can do that.

Senator CHRIS EVANS—I am having trouble getting a handle sometimes on the respite matters. What would you say about utilising rates?

Mr Bruen—In terms of residential respite care, the utilisation rate is running at about 67 per cent of the allocated places. That has been increasing over the last year or two. You would expect lower than 100 per cent because respite, being short term, is not going to be used all the time. But, nevertheless, that figure is not optimal and we recognise that.

Senator CHRIS EVANS—You run into two factors in the community; (1) that there are respite beds that do not seem to be used to full capacity—and I accept what you say about not being 100 per cent in the sense of changeover, et cetera—and (2) the concern that people cannot get respite. I cannot seem to match what is happening there and why that is not happening. I have had it put to me that some providers have allocations of respite but are not keen to take a short-term respite resident.

Mr Bruen—The allocations are not dedicated beds. They are respite days. So the beds can be used either for permanent or for respite and, yes, some providers prefer to take permanent residents if they are available rather than respite residents, even though the subsidy level for respite residents is considerably higher.

Senator CHRIS EVANS—Yes. They usually say something to me like, ‘The paperwork is not worth it.’ I am concerned how we are matching the needs in the community, which seem to say they want more respite but figures seem to show that we have some that is not being used. Do you know what I mean?

Mr Bruen—Yes.

Senator CHRIS EVANS—Is there something you are working on? What is the management blockage there?

Mr Bruen—This is one of the reasons that we cashed out some of that residential respite funding into the carer respite centres, so it is a different approach. The carer respite centres are able to purchase the respite care and we do not necessarily regulate that. We have also had our state offices write out to the homes that have unused respite allocations, asking them to return them if they are not going to use them, and a fair number have.

Senator WEST—Does that, therefore, mean that we actually have a shortage of respite care? It would appear to. If they are returning them, what are you doing with them?

Mr Bruen—They are reallocated to proprietors who want to provide respite.

Senator WEST—How long is that process taking?

Mr Bruen—It is a continuous process, but the last round of letters were written just before Christmas. And that is happening now. It is happening quite significantly in New South Wales and Western Australia.

Mr Podger—Notwithstanding that, the truth is that the number of respite days in total has been increasing.

Mr Bruen—Yes.

Senator WEST—Yes, but what is happening with those across the regions?

Mr Bruen—With?

Senator WEST—The respite beds available to you across the regions. Are you still keeping some control over where those respite beds are going, so that you are not getting a maldistribution not just region wide but within your subregions?

Mr Bruen—Yes, that is correct. The state offices reallocate them across regions with exactly those principles in mind.

Senator CHRIS EVANS—I promised the chair we would finish at about 12.00. I have a range of questions which really go to respite and care issues, but they are more about discussion of how the programs are going. The previous minister was very helpful in this regard, and I wondered if I could organise for Mr Bruen to give us a briefing at some stage.

Mr Podger—I am sure we can arrange that. I would have to check with the minister.

Senator CHRIS EVANS—It is not highly political stuff. It is really just an understanding of how some of the programs work.

Mr Podger—Certainly, Senator

Senator CHRIS EVANS—Thanks for that. I want to ask one further question regarding HACC. I have had a couple of issues raised with me. There is concern about a delay in the current funding round, waiting particularly in Queensland for approval. Is there a problem there or has that been fixed?

Mr Bruen—The annual HACC plans for each state have to be approved jointly by the state minister and the Commonwealth minister. In regard to the Queensland plan, the Commonwealth minister has not yet approved it.

Senator CHRIS EVANS—When was it completed? I know we have had this problem before about delays in those rounds.

Mr Bruen—Senator, what happens is that the state minister tends to send the plan to us fait accompli and we have to remind the state departments that these are joint approvals. We in the department usually work then with the state officials to look at the plan jointly and raise the concerns and issues that we have. This process takes as long as it takes. But the minister is most concerned that she does not approve a plan that is not correct in terms of the figuring and the allocations.

Senator CHRIS EVANS—I accept that. But is there a particular delay in Queensland? Have the others been signed off?

Mr Bruen—No. I think Tasmania and South Australia have been approved, but there are other states that have not yet been approved.

Senator CHRIS EVANS—This is for funding for this financial year, though, isn't it?

Mr Bruen—It is the growth funding for this financial year, yes.

Senator CHRIS EVANS—When would we expect to have a decision on those? Is there a reasonable expectation that this will be finalised soon?

Mr Bruen—Some states have not even yet submitted the plans, but for those that have, yes, I would expect them to be finalised very soon.

Senator CHRIS EVANS—Thank you for that.

CHAIR—Thank you, and thank you, Mr Podger. Senator Tchen has a number of questions that he will now, given the time, put on notice. Are there any further questions? Ms Murnane?

Ms Murnane—Chair, what about the issue that you raised? Do you want to go through that now?

Senator CHRIS EVANS—I think we had better do that, if you have that information.

Ms Murnane—I can quickly do that now. Senator, as you will recall, there were a series of complaints from 2 December 1999. We established in the last Senate estimates that the department responded to those. The ANF, though, at one stage indicated on 13 April 2000 that they would be on leave for the next month and would make further contact following consultation with staff of the facility. By that stage the department had received responses and so on from the provider. The ANF sent another letter to the complaints resolution scheme in the middle of May 2000, basically disagreeing. At that stage the department discussed the matter with the agency. In my letter to you, I said that between 2 June and 24 August we received three complaints. That is correct. The minister in the parliament said that in August we received two complaints. That is correct. One of the three complaints that was received prior to the review audit or to the matter being referred to the agency, and the agency took a decision to undertake a review audit, was in fact at the end of June.

Senator CHRIS EVANS—Just for the record, Ms Murnane, will you run through for me the complaints and the dates you got them on.

Ms Murnane—Indeed. You wanted to go through all the complaints from 2 December?

Senator CHRIS EVANS—I knew you got the one from the ANF from 2 December. You have other ones as well, haven't you?

Ms Murnane—The first round of complaints up until—

Senator CHRIS EVANS—What was the name of that? Thinking about it, would it be possible—

Ms Murnane—30 June were all from the ANF.

Senator CHRIS EVANS—Would it be possible for you or Miss Hefford to actually just give me a sheet of paper with the dates of the complaints and the complainant?

Ms Murnane—No, I will go through them.

Senator CHRIS EVANS—All right.

Ms Murnane—The first complaint was on 2 December 1999; a second complaint on 1 March 2000—

Senator CHRIS EVANS—Who was that from?

Ms Murnane—From the ANF—and a complaint on 9 March that was anonymous. Now, during this time—and this is on the record from the last Senate estimates—we had written to the provider and we were in contact with the ANF.

Senator CHRIS EVANS—What did the 9 March complainant complain of?

Ms Murnane—‘Staff members have been reduced resulting in a lack of care; a lack of staff to prepare meals, the quantity and quality of food is inadequate.’

Senator CHRIS EVANS—Staff care and food issues. Okay.

Ms Murnane—Then the complaints that I was not aware of last time, because the officer I had spoken to in Melbourne thought I was referring to post-August, not the period prior to August, were: on 30 June 2000 where we received an anonymous complaint on food quantity and quality, no gloves being provided for staff to use, and an inadequate internal complaints mechanism. We advised the facility of that complaint. On 7 August we received another anonymous complaint about residents not being assisted to eat meals. We advised the facility of the complaint. There was a third complaint on 10 August primarily about, again, food and catering. At that stage, on 24 August, the state manager collected the history of the complaints about this facility from December 1999 and referred them to the agency, and the agency decided to conduct a review audit.

Senator CHRIS EVANS—And did the manager consult with the central office before doing that?

Ms Murnane—I cannot answer that question.

Ms Hefford—I could not necessarily answer on the specifics of the case, but it is not necessary.

Senator CHRIS EVANS—Perhaps you could take on notice the question of whether or not the branch consulted with the central office.

Ms Hefford—State managers have the delegation and can refer.

Senator CHRIS EVANS—I understand that. Will you just check what happened?

Ms Murnane—There is no record in anything I have here that she did.

Senator CHRIS EVANS—Perhaps you could take that on notice.

Ms Murnane—Okay.

Senator CHRIS EVANS—Thanks for that.

CHAIR—There being no further questions, I thank you very much, Mr Podger, and all of your officers. The estimates for Health and Aged Care are concluded.

Proceedings suspended from 12.04 p.m. to 1.12 p.m.

FAMILY AND COMMUNITY SERVICES PORTFOLIO

In Attendance

DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

Executive

Dr David Rosalky, Secretary

Mr Wayne Jackson, Deputy Secretary

Ms Kerry Flanagan, Acting Deputy Secretary

Executive Directors

Virginia Mudie, Partnership Framework

Robyn McKay, Family Capabilities

David Kalisch, Economic & Social Participation

Helen Fleming, Chief Legal Adviser

Patricia Scott, Strategic Framework & Coordination

Barry Wight, Corporate Facilities & Services

Denise Swift, Community & Locational (Acting)

General Managers

Alan Law, General Manager CRS Australia

Assistant Secretaries

Alex Dolan, Budget Development

Andrew Herscovitch, Ministerial and Communications

Roger Barson, International

Tricia Rushton, Youth and Students

Helen Hambling, Housing Support

Keith Henry, Family & Children

Jeff Poppo, Family Assistance Office Unit

John Powlay, Child Care Benefits

Sam Cavalli, Rent Assistance Section

Jenny Bourne, Partnership and Service Delivery

Cate McKenzie, Participation Policy

Judy Raymond, Risk, Audit & Compliance

Jeremy Nott, Family Relationships

Joan Corbett, Child Care Services

Richard Lansdowne, Information Strategies

Margaret Carmody, Disability Service Reforms

Glen Halloran, National Function Manager, Disability Employment Assistance

Jackie Wilson, Office of Disability

Gwenda Prince, Seniors & Means Test

Steve Jennaway, Management Support

Barry Smith, Community
Gary Dunn, Centrelink Relationship
Tim Youngberry, Financial Strategies (Acting)
Shirley Douglas, Parenting and Employment Programs (Acting)
Peta Winzar, Assistant Secretary (Outposted)
Stuart Kennedy, Director, Retirement Projects
Tony Mee, Director, Strategies Information

Centrelink

Sue Vardon, Chief Executive Officer
Jane Treadwell, Chief Information Officer
Graham Bashford, Deputy Chief Executive Officer, Business
Paul Hickey, Deputy Chief Executive Officer, Business Capability
John Wadeson, General Manager, Business Development & Major Projects
Carolyn Hogg, General Manager, Service Integration Shop
Peter Fisher, National Manager, Disability and Carers
Les Matthews, Manager, Corporate Property
Michelle Gunasekera, National Manager, Rural and Housing
Mike Goldstein, General Manager, Contestability & Contracts
Vic Rogers, General Manager, Business Assurance Services
Rod Gibson, National Manager, Debt Services
Danny Freedman, Manager, Debt Recovery
Ken Thornton, Group Account Manager, Communication and Marketing
Jenni Colwill, National Manager, People Management
Grant Tidswell, National Manager, Families
Colin Parker, Ag National Manager, Employment Services
John Gibbon, Manager, Customer Obligations
Peta Fitzgibbon, National Manager, Youth and Students
Allan Gaukroger, Chief Finance Officer
Trisha Moran, National Manager, Business Pricing & Support Operations
Brian Pacey, National Manager, Detection and Review
Christine Hagan, National Manager, Centrelink Call
Dr Helen McKenna, National Manager, Performance Assurance and Evaluation
Dr Margaret Browne, National Manager, Retirement
Olga Fijalkowski, National Manager, Infrastructure Services
Denis Bayada, National Manager, Families Tax Reform IT Project
Luke Woolmer, National Manager, Business and Information Protection
Jason Shimitras, Business Manager, Privacy and Information Access

CHAIR—Good afternoon. The committee will now commence its examination of the Family and Community Services portfolio. Before commencing with Centrelink, senators have advised that they do not require officers from the CSA, AIFS and SSAT. Are there any other areas of the portfolio for which senators do not have any questions, where we can allow officers to take their leave?

Senator WEST—I do know at this stage.

Senator DENMAN—I do not know what Senator Evans has.

CHAIR—All right, we will check with him when he comes back. I advised the committee that Senator Vanstone has advised us that she is in a meeting until 1.30, but on the understanding of senators, we will proceed. I therefore welcome Ms Vardon, the CEO of Centrelink, and Ms Kerry Flanagan from the department, and the officers from the Department of Family and Community Services and Centrelink. The committee will be working from the portfolio additional estimates statements. I propose that we commence with issues relating to Centrelink on page 84, followed by general questions on the department overview, pages 12 to 16, then the outcomes on page 24 to 51. Post-budget measures listed in section 3 can be considered under the relevant outcome. Senator Evans, just a moment ago I inquired of senators whether or not there were any other areas for which senators do not have questions other than those of CSA, AIFS and SSAT.

Senator CHRIS EVANS—That implies a level of organisation that is probably beyond me, Madam Chair. Could I undertake to have a bit of a think about it and advise?

CHAIR—I will let you dwell on it for a while. As I say, we will commence with issues relating to Centrelink on page 84.

Senator GIBBS—Miss Vardon, why is the government spending money on customer loyalty surveying, and how much does it cost Centrelink annually to process data gained from this particular line of questioning?

Ms Vardon—I can answer the first part of your question, Senator, but I would like to take the second part on notice. I will just check if anyone knows the answer to it, but I do not think we do have that detail. We have asked for a long time a question in our survey of customer satisfaction: if there were other people who were delivering the business, would they stay with us or would they go somewhere else? We did that deliberately to make sure that they came to us, to stay with us. Even though we hold what you might call a monopoly, for want of a better word, a lot of the business that we take we have to win by bidding, by putting out for tender. It is very important for us that we deliver the kind of service that people want. So we choose that loyalty question in particular as an assessment for us about whether we remain the preferred supplier, if I can use that term. We are always encouraged when more people choose to stay with us than to go elsewhere.

Senator GIBBS—What do you actually ask them in this survey? I have not seen one.

Ms Vardon—It is a standard question that we have been asking for three years. I think I know the question that you are asking about. I will just see if there is anybody who can give the exact wording of that question. I do not have it in these documents. We have actually tabled the whole survey here, but I will get an answer to that question. We might be able to get it before the end of business today.

Senator GIBBS—Thanks very much. And you will take the costs on notice?

Ms Vardon—The cost will be the cost of the whole of our customer surveys. I might say, we do the customer survey twice a year, in May and November. As part of rationalising our surveying we are considering doing that only once a year. I will give you the costs for all of each survey as it stands now, but not for that question because that question is only one of many.

Senator GIBBS—Yes, I realise that. Thank you. I believe in the May 1999 survey that 54 per cent of your customers would remain loyal to Centrelink.

Ms Vardon—Yes.

Senator GIBBS—What about the survey you did last year? How did the percentages stack up there for loyalty?

Ms Vardon—My memory is that the first survey was about 37 per cent.

Senator GIBBS—Sorry, how much?

Ms Vardon—My memory of the first survey in Centrelink's time was about 37 per cent, so it has been going up each time, which gives us comfort.

Senator GIBBS—So last year, in the year 2000, what was it?

Ms Vardon—We have a very detailed record of the answer to that question. I can give that to you.

Senator GIBBS—Would it have been more than 54 per cent?

Ms Vardon—No.

Senator GIBBS—Or around about that?

Ms Vardon—That is the figure of people who would stay with us.

Senator GIBBS—I see.

Ms Vardon—We will give you a graph with the increase over time.

Senator GIBBS—Thank you very much. That would be very interesting. In asking these questions is the government actually examining options to in fact privatise Centrelink and social security services, or perhaps introduce some kind of Job Network style competitive system in the provision of social services to the community?

Ms Vardon—I cannot answer for the government, but I will answer for Centrelink. Centrelink does this survey for its own purposes. There have been over time people outside their own organisation who have misconstrued the question, and I have often had to go and remind people why we do it. It is very important as an internal benchmark for us to let us know whether we are improving or not. On the second part of your question I can say that twice I have been reassured, and I have passed that reassurance on inside our organisation that there are no plans to privatise Centrelink.

Senator GIBBS—So this is basically a private thing, like a performance indicator of how the Centrelink staff are operating?

Ms Vardon—It certainly is, yes.

Senator GIBBS—Will the move by Centrelink towards automated telephone based customer self-service call system services result in a further reduction of face-to-face Centrelink services?

Ms Vardon—I am going to bring some people forward to answer that question, but I will start while they come forward. We have a trial in Western Australia of 3,000 people who have a PIN number who can access the five most popular questions that people need, and they can get an automatic answer. As far as we are concerned, we need to be able to provide what we call four ways of delivering service: on site, on call, on line and on paper. We think that people need to be able to choose which is the one that they want best of all. We are looking at automating options—there is no question about that—but only for people who choose to do it.

Ms Hagan—Customer's use of the telephone system is increasing about 20 per cent a year. Call demand is increasing pretty rapidly, and we can hardly ever keep up with the ever-increasing demand. What we are anticipating with the automated services is that it will stem

the growth, so rather than increasing our staff all the time we can actually increase at a lesser rate. So I would not see any reduction in the call network at all as a result.

Senator GIBBS—When people ring this automated service they actually speak to the little person who lives in the telephone, do they, or do they actually speak to a real live person?

Ms Hagan—The plan will be that they will have a PIN number, they will go into the recorded message, key in their PIN number, and that will authenticate them as a customer, and then with some services they could find out, for example, what their next payment is going to be or when it is going to be put in the bank.

Senator GIBBS—And that will be the little voice in the telephone.

Ms Hagan—Yes. They can just ask, yes. They will be given options.

Senator GIBBS—I have to tell you, I hate speaking to that little person who lives in the telephone, particularly when you have a question and you are trying to get a real live person.

Ms Vardon—Senator, we are still answering 20 million calls a year. We have more than 3,000 staff in call centres. It is still a very big service channel for us and we do not intend to reduce it in any way.

Ms Hagan—We are attempting to take off the very simple calls through automation so that we can free up our staff to take more complicated calls.

Ms Vardon—There are some people who, every week, ring and say, ‘Is my money in the bank?’ That is the sort of question that they just want someone to say ‘Yes’ to and it is exactly the sort of question that you can put into an automatic response.

Senator WEST—If they do not have a bank in their town, it is probably cheaper to ring you on your number than to try and ring the bank.

Ms Hagan—Yes.

Senator GIBBS—With most of these bank services, et cetera, they say, ‘If you actually want to speak to a real live person’—they do not say that, they say ‘operator’—‘press such-and-such and you will be connected.’ With your automated service, do you have one of those options?

Ms Hagan—Yes.

Senator GIBBS—That is good.

Ms Vardon—Senator, can I say that it would require someone to have a PIN number. You then have to, in a sense, want to have it, because then you have to want to have a PIN number. It is very much a matter of a person’s choice; it is not something that we are imposing on people.

Senator GIBBS—The ratio between face-to-face service and automated telephone service is, as you said, 20 per cent.

Ms Hagan—No, sorry. The rate at which numbers of calls we are receiving is increasing is 20 per cent a year.

Senator GIBBS—What is your ratio of actual face-to-face and automated?

Ms Hagan—At the moment it is nil, because we have not introduced automation.

Senator GIBBS—It is still on trial.

Ms Hagan—It is on trial. It is beginning during March and there will be a slow ramp-up as people get used to using a PIN number, when they are issued.

Senator GIBBS—So 1 March—

Ms Hagan—Not 1 March.

Senator GIBBS—Sometime in March.

Ms Hagan—Sometime in March, yes, will be the first roll-out of it, but it will be rolled out slowly over the network.

Senator GIBBS—How are you going to implement this? All of a sudden? Everywhere? Is there going to be a central call centre?

Ms Hagan—At the moment it is being piloted in Western Australia and then we will start off with one or two areas and then build up to it, but we expect a fairly slow uptake to begin with. It will depend on the number of PIN numbers that we issue.

Senator GIBBS—You are not going to have one phone number to call for Western Australia, one for Queensland, where everybody rings that one number?

Ms Hagan—No.

Senator GIBBS—It will be region by region?

Ms Hagan—The call network is a single number for each benefit type, anyway. It is a virtual network, so if you ring from Perth and you want to make an employment services inquiry, you ring the same number as you would if you were in Cairns.

Senator GIBBS—And that starts in March.

Ms Hagan—It will begin in March.

Senator GIBBS—How long do you think it will take to implement that Australia-wide?

Ms Hagan—The technology will be in place fairly quickly but the actual take-up of customers will be far slower. I would not expect to see benefits in the short to medium term.

Senator GIBBS—Will this automated service impact on employment in Centrelink? Will there be job reductions because of this?

Ms Vardon—The answer is definitely no, Senator. The call centre network is the fastest-growing part of our organisation. It is a jobs growth area.

Senator GIBBS—What about regional and rural Australia? Will there be job losses there at all?

Ms Hagan—Not in the call network at all—only growth.

Ms Vardon—In fact, I think I have reported here before that we have put the new call centres actually into rural Australia. It is part of our internal strategy to get our infrastructure out to rural and regional Australia.

Senator GIBBS—All the people who are employed now do not have to worry about losing their jobs?

Ms Vardon—Absolutely not.

Senator GIBBS—I want to talk about the child-care assistance payment linked to immunisation status. How many families have had their child-care assistance payment cancelled as a result of failing to immunise their children prior to the cancellation action?

Mr Tidswell—I would have to take that on notice, Senator. I am not sure of that exact number.

Senator CHRIS EVANS—Have you any idea of the extent of it?

Mr Tidswell—We had a big campaign last year in respect to child care and immunisation and, as you all know, child-care assistance has ceased and child-care benefit came online on 1 July, and I would not have direct figures in relation to that.

Ms Vardon—We might be able to get FACS, though, to answer that question for you, Senator. Can we take it on notice.

Senator GIBBS—I believe in immunisation, but this decision to cancel the child-care assistance payments could place some families in financial hardship. Wouldn't you agree with that?

Ms Vardon—I think, Senator, that we should refer that question to FACS. It is a matter of policy.

Mr Powlay—The process that led to the cancellation of child-care assistance involved numerous notices to parents of children who had not been immunised, alerting them to the requirement and advising them of what they would need to do to comply and avoid any effect on their child care-assistance payments. Unfortunately, a number of parents chose to ignore those notices and, as a result, their child-care assistance payments were stopped. In virtually all cases, that resulted in the parent recontacting Centrelink and complying with the immunisation requirement and having their payment restored.

Senator GIBBS—That is interesting. That is what I was trying to get at: whether you have a rough estimate of people who are actually encouraged to immunise their children because of the process.

Mr Powlay—We do have numbers for that, Senator. Unfortunately, I do not have them with me. If we could take it on notice, we will provide it to you.

Senator CHRIS EVANS—Can you give us the number who got the exemptions, too, Mr Powlay?

Mr Powlay—Certainly, Senator. I do not have that one either.

Senator CHRIS EVANS—No, it is just if you are going to look. It was something I meant to follow up. I know there were a lot of people raising the issue of accessing exemptions. I would like to know how many took it up in the end.

Senator GIBBS—But, apart from the exemptions, people were encouraged to actually immunise their children?

Mr Powlay—That is correct, Senator, and the level of immunisation amongst that group did increase.

Senator GIBBS—Those figures would be really helpful. Thanks very much.

Senator CHRIS EVANS—I think this was raised last time and I missed the last round of estimates. Could somebody explain the clean slate provisions in relation to breach penalties? I want to start with a general understanding of how it works and what it means.

Ms Vardon—John Gibbon is our expert, Senator, on this one.

Mr Gibbon—Senator, the way that the breach waiver provisions operate for Work for the Dole is that if somebody has a breach penalty imposed and they obtain a Work for the Dole placement they can have the breach penalty waived but the breach itself stays on the record.

Senator CHRIS EVANS—The penalty might be loss of benefit?

Mr Gibbon—Loss of benefit or reduction in benefit, but the penalty number 1, 2 or 3 would remain on the record and count for that two-year period.

Senator CHRIS EVANS—You have a conviction recorded but the penalty not applied?

Mr Gibbon—That is correct, Senator.

Senator CHRIS EVANS—The penalty is attending the Work for the Dole program, is it? It is in lieu of the penalty?

Ms Vardon—We would have to eliminate the word ‘conviction’, Senator.

Senator CHRIS EVANS—You choose the word then.

Senator WEST—A note on the file could end up being like a conviction, couldn’t it, because you do not remove any of those breaches off their files at any stage, do you?

Ms Vardon—But it is very different from a conviction. I wanted to correct the record on that word.

Senator WEST—Maybe we should not use the legal term.

Senator CHRIS EVANS—But there is no first-offenders rule?

Mr Gibbon—No, Senator. The reason it would stay on the file is the way the breach penalty system operates. That breach number would stay on the file and if the person received another breach within a two-year period that would count as their second breach and they would receive a higher penalty.

Senator CHRIS EVANS—Is the only way of getting a clean slate—I think that is the phrase that is used; is that fair?

Mr Gibbon—Work for the Dole is the most common way to use the clean slate provisions for people on Newstart allowance. It can also be used if people enter the community support program for Newstart allowees. For people in youth allowance there are a range of different activities that they can undertake that can clean-slate the breach penalty. They can include things like education and training as well as participation on Work for the Dole, vocational training, et cetera, Senator.

Senator CHRIS EVANS—Given that Work for the Dole is currently skewed towards young people, does that mean that there are no opportunities for older people to access clean slate provisions?

Ms Winzar—Senator, perhaps I can help you with that one. While Work for the Dole is targeted at younger people, Newstart customers of any age can volunteer to go on Work for the Dole. For example, a 48-year-old who had a breach penalty could choose to have it waived by going on Work for the Dole.

Senator CHRIS EVANS—They are allowed to access the clean slate provision, whatever their age?

Ms Winzar—That is correct.

Senator CHRIS EVANS—But what is the practice, Mr Gibbon? What is the reality of who can access clean slate provisions?

Mr Gibbon—We do have some data on it, Senator. I do not have age breakdowns on me, but last financial year around 5,000 breaches were waived for people entering Work for the Dole or other programs that they were eligible to have the breach waived for.

Senator CHRIS EVANS—Were most of those 5,000 Work for the Dole?

Mr Gibbon—I would have to take that on notice, Senator.

Senator CHRIS EVANS—I assume that would be the largest group.

Mr Gibbon—I would assume that Work for the Dole would be the primary group.

Senator CHRIS EVANS—Perhaps you could take that on notice for me and give me some of the detail about that. You say you have the age breakdown. I would be interested in the age breakdown.

Mr Gibbon—For?

Senator CHRIS EVANS—For accessing the clean slate provisions.

Mr Gibbon—No, sorry, that is what I would have to take on notice, Senator.

Senator CHRIS EVANS—Yes. You say you allow people on youth allowance to access education and training as a way of accessing a clean slate provision. That does not apply for Newstart?

Mr Gibbon—That is correct, Senator. Perhaps I should hand that over to Ms Winzar.

Senator CHRIS EVANS—Doing Centrelink first is working well, isn't it? Sorry about that.

Ms Vardon—No, we are related in many ways.

Ms Winzar—That is correct, Senator. The extra provisions do only relate to youth allowees but, if they are undertaking those sorts of approved activities, they can have their breach clean-slatted.

Senator CHRIS EVANS—And the community support program. Is that what it is called?

Mr Gibbon—Yes, Senator.

Senator CHRIS EVANS—Who can access that?

Mr Gibbon—That program is accessible for people with severe barriers to employment, Senator. It is run through the DEWRSB program area.

Senator CHRIS EVANS—But can people on Newstart use that as a clean slate provision?

Mr Gibbon—No. The eligibility is quite strict, as I understand, Senator. It is for people with very severe barriers to employment, people that would find it very difficult to participate in programs like intensive assistance. It is a feeder program, in some ways, for intensive assistance, so they are people with quite severe barriers.

Senator CHRIS EVANS—Basically, for Newstart participants the only option is Work for the Dole as a clean slate provision. Is that fair?

Mr Gibbon—That is correct, Senator.

Senator CHRIS EVANS—And the majority of the clean slate provision would apply to that Work for the Dole cohort?

Mr Gibbon—As I understand it, Senator.

Senator CHRIS EVANS—How long do they have to be on Work for the Dole to get the clean slate provision? Is it the same period as their suspension?

Mr Gibbon—As I understand the rules at the moment, Senator, they have to commence Work for the Dole to have the breach penalty waived.

Senator CHRIS EVANS—Do they have to complete Work for the Dole?

Mr Gibbon—To get the breach penalty waived they have to commence Work for the Dole. If they did not complete the Work for the Dole placement without good reason—that is, they did not turn up for a Work for the Dole placement, for example—then they might get breached for another element under the Social Security Act.

Senator CHRIS EVANS—That would be a second breach, would it?

Mr Gibbon—That is right, Senator, but not if they left the Work for the Dole placement because they got work or moved on to something else.

Senator CHRIS EVANS—A Work for the Dole placement is three months?

Mr Gibbon—As I understand it, Senator, a Work for the Dole placement is generally for a six-month period.

Senator CHRIS EVANS—They effectively have to participate in that program for six months to maintain their clean slate provision, subject to getting employment. Is that right?

Mr Gibbon—That is right, Senator.

Senator CHRIS EVANS—You say about 5,000 have used that option. How many people would you have breached in that period?

Mr Gibbon—In the period that I am quoting from, which is last financial year, 1999-2000, there were 302,000 activity test and administrative breaches and, from memory, I think there were about 178,000 activity test breaches.

Senator CHRIS EVANS—Can both types of breaches qualify you for a clean slate, or only activity test?

Mr Gibbon—I think both types can get waived but the activity test breach has the stricter penalty.

Senator WEST—Would you like to check that if you are not sure? We do not like misleading or uncertainty.

Ms Vardon—We will take that on notice, Senator.

Senator WEST—I think that is a very good idea.

Senator CHRIS EVANS—Potentially you had 302,000 people who were breached and who could have accessed that if they had wanted to. Do you have more demand than places available? What is the tension like? Are these 5,000 all that asked for it? I assume that in some instances you are not able to provide them with a placement on the Work for the Dole program.

Mr Gibbon—Senator, I am not entirely sure of the reasons why there are only 5,000 people that would get a breach waiver; whether that is an issue of people not understanding the provision—and I must say that it is explained to people at breach interviews that that is available to them—or whether it is an issue of supply to Work for the Dole. It is something I am not aware of.

Ms Vardon—That would be a question, Senator, that would have to be asked of DEWRSB. They fund the placements.

Senator CHRIS EVANS—They fund the Work for the Dole placements?

Ms Vardon—Yes.

Senator CHRIS EVANS—But you must have some information as to whether you can offer that to somebody.

Ms Vardon—I do not think we can answer that. It has not been raised with me as a problem, but I take Senator West's point, and we want to give you the exact information. We will have to refer it to DEWRSB.

Senator CHRIS EVANS—I am not sure that it is a problem. I just want to understand how that is working. It is obviously a means of preventing people suffering a financial penalty. Obviously, Work for the Dole is a limited supply program and there are regional issues, and I suspect some of the Newstart people may not be regarded as suitable for some of the Work for the Dole projects. There are all those sorts of factors, I would have thought.

Ms Vardon—Senator, we cannot answer it exactly, but our understanding is that we are constantly looking to fill the quotas for the Work for the Dole placements. Quotas is not the right answer. It is the figures that need to go to the Work for the Dole placements and so on. I have not heard of log jams. There is a certain amount of pressure on us to keep the numbers flowing. My understanding is that, in general terms, there would not be a blockage, in a sense, which would stop a person's entitlement, but to be absolutely exact we will have to get that answer from DEWRSB.

Senator CHRIS EVANS—But in general terms you have quotas of places that you have to fill?

Ms Vardon—We have a certain number of referrals that we have to go through and they have to commence.

Mr Gibbon—And, Senator, certainly if people want to avail themselves of the waiver provision they can, as Ms Winzar pointed out earlier, volunteer for a Work for the Dole placement and get onto that placement if it is available. That is certainly an access point and we do let people know about the breach waiver provisions. I think about 50 per cent of the people that do get activity tests and administrative breaches are under the age of 25, which is the prime target group for Work for the Dole.

Senator CHRIS EVANS—Why do they represent such a high percentage of the breaching population, as it were, Mr Gibbon?

Ms Vardon—Do you want to talk about the male cohort, 18 to 24?

Ms Winzar—I think there are possibly a number of reasons for that, Senator. It is worth noting that young men have much higher breach rates than young women. For example, while I think the overall breach rate for those aged 18 to 24 is about 18 per cent, for young men in that age group it is as high as 26 per cent. There are some issues about the extent to which young people are familiar with the system, the extent to which they are willing to accept the expectations and obligations that are required of them and, for some of those on youth allowance, there is also the issue that, if they only get a part rate of payment, perhaps the significance of losing that payment is not as great as it might be for an older person who, for example, has dependants and commitments.

Senator CHRIS EVANS—I will put this delicately. Have you examined whether or not the attitude of Centrelink or FACS staff to young people has any influence on that? Has there been any thought about that? I am not trying to make any accusation. I am trying to explore the reasons behind that breaching rate. Often those of us over 40 have a different view about young people.

Ms Vardon—I could not say that for a minute. I go around all of the time to our offices and talk to people all of the time, trying really hard to make sure that they do not breach anybody. Our people do not like breaching. It is not something that they choose to do. We do it because we understand about mutual obligation, but for most of our people, if they can persuade somebody not to breach and to honour their obligations, they will do that all of the time. I have spoken to our youth teams who go out of their way to chase down young people. So, no, we have not done a survey in your sense about staff attitudes to young people, but all I have seen is an enormous amount of goodwill to try and make sure people do not lose their money.

Senator CHRIS EVANS—I am not questioning that. I mean there are two sides to the argument, aren't there? Why is there such a high breach rate among people? It could be their attitude; it might be our attitude or how we relate to them. That is all. I was trying to see whether you had done any work on that side of it. Maybe it is about how you communicate with them or relate to them.

Ms Winzar—Senator, I believe Centrelink has undertaken some focus group work with young people about the issues around breaching and their attitudes. I do not have a copy of that with me.

Ms Rushton—I do not have a copy of it with me either, I am sorry. We have done value creation workshops with young people and from those we are trying to improve our communication to young people and understand why they do not comply.

Ms Vardon—I want to introduce Peta Fitzgibbon who is our national manager, Youth and Students, who wants to tell you about some work we have been doing in the area.

Ms Fitzgibbon—We have recently completed a value creation workshop in Footscray, where we brought in a number of young people who had been breached probably at least two or three times. That information should be available very soon in the write-up so we could certainly pass that on to you because it does give a lot of insight as to the kinds of perceptions and experience of young people that have been breached. We were doing that to get some insight into the kinds of issues you are asking, Senator: why there is a particular cohort of young people that really may be caught up in this, and we need to understand how we can improve our service contact with them to perhaps reduce that somewhat. We are also planning another one in Bankstown in early March.

Senator CHRIS EVANS—Did anything leap out at you from that discussion?

Ms Fitzgibbon—I think there are some issues. We can learn about how we communicate with them. They were not terribly clear about some of their rights and responsibilities, so we are looking at how we put together our communication products, and not only that but working very closely with the community organisations in the local area who have much more contact with these perhaps more marginalised young people on a day-to-day basis. We really want to push it down to the local level, how we work together with them. That is in place in a number of our offices.

Senator CHRIS EVANS—Mr Gibbon, what contact takes place with clients before you breach them?

Mr Gibbon—Senator, the general procedure for breaching is, once a breach comes to our notice, the job seeker, if at all possible, is interviewed to determine the facts of the case and to make a judgment as to whether or not they have breached the Social Security Act. There is generally a full interview to investigate and explore the issues.

Senator CHRIS EVANS—What percentage of times is there an interview before the breach is applied?

Mr Gibbon—I will have to expand on activity test breaching. There are basically two forms, and I think I have advised the Senate estimates committee of these on a couple of occasions. They are Job Network breaching and community work co-ordinated breaching, which we refer to as third party breaching; there is also Centrelink initiated breaching. Job Network breaching and community work co-ordinators are third party providers that ask people to come to their projects or their services to undertake activities that will improve their employment prospects, and they provide those sorts of services. There is a separate process for them notifying participant reports to us for us to investigate. That is one side of the activity test breaching equation.

The other side is Centrelink initiated breaching. These are things like people not turning up for interviews, review appointments, or non-declaration of income where they have knowingly and recklessly not declared income, and for people that leave work voluntarily, et cetera. In the case of a Centrelink initiated breaching, the job seeker is generally in front of a Centrelink officer when the event occurs—for example, when they come in to claim Newstart allowance and it has been found they have left work without sufficient reason. The discussion happens there and then. In the case of the third party breaching, transmission is sent across systems to notify Centrelink that there is a participant report and that a participant in one of these programs may not have complied with their activity agreement requirements. In that case the job seeker is contacted by us and called in for an interview.

Sometimes job seekers leave payment and they cannot be contacted, so Centrelink needs to decide the case on the basis of the events in front of the CSO. In those sorts of cases we would not be interviewing the job seeker because they have left payment or we cannot contact them, and we decide that on the basis of the evidence provided by third party providers.

Senator WEST—How do you go about contacting them?

Mr Gibbon—They are contacted usually by letter or by telephone; generally by both methods, Senator.

Senator WEST—How often does this not happen?

Mr Gibbon—Our best practice procedures require our CSOs to contact job seekers, or attempt to contact job seekers, in all cases, Senator.

Senator WEST—I had two last week who were breached and knew nothing about it until they went to the bank. Their child did not go to school last Thursday because they did not have the money to be able to buy some bread to give it some lunch to take to school. I rectified the problem with the assistance of the local Centrelink, but the people obviously had not been advised that they were being breached. I am wondering how often this happens.

Mr Gibbon—Senator, there are two things that generally happen. One thing is that they are contacted and asked to come in for an interview and the issue is discussed at that

interview. If they cannot be contacted, then the Centrelink person has to make a decision on the basis of the evidence in front of them.

Mr GIBBONS—Is that letter or phone or both?

Mr Gibbon—Both usually. In most cases they ask the person to come to the office to have face-to-face contact. If it is decided to apply the breach penalty, a further letter is sent to the person, advising them of that event and what they need to do if they want to appeal the decision, how it will affect their payment, and so on. So there are two procedures in place there to make sure people are aware of what is occurring with their entitlement.

Senator WEST—What is the time frame between you actually sending out that letter saying, ‘We’re going to breach you unless you come in and talk to us,’ and them actually being breached?

Mr Gibbon—I think it is usually about 14 days before the event because of the way the payments are structured. I could check and get back to you on notice on what the minimum and maximum time frame would be.

Senator WEST—Given that there are a number of rural areas where you could send a letter out and it could take a week to get there, I think what has happened in this case is that there has been a letter sent but it was not sent in adequate time for them to have received it. But she was breached anyway.

Ms Winzar—Senator, perhaps if we could get the details of those couple of cases from you, we might be able to find out in what way the system has broken down. Certainly that would be important in making sure it does not happen to other people.

Senator CHRIS EVANS—I am trying to get a feeling of the process here. What percentage of breaches are overturned on appeal?

Mr Gibbon—Of those that get through the ARO, the authorised review officer, or the SSAT, about 70 per cent of those determinations are upheld—that is, the breach stands—and 30 per cent of the—

Senator CHRIS EVANS—What about those that do not go that far? I think a figure of about 40 per cent get overturned, don’t they, in total?

Mr Gibbon—Getting back to the previous discussion about the Job Network, Work for the Dole breaches and similarly initiated ones, with the ones that come from the third party providers about 47 per cent of those remain maintained on the record.

Senator WEST—So the majority of those breaches are not maintained.

Mr Gibbon—They are not.

Ms Vardon—We clarified at the last estimates that we have been wrongly using the word ‘breach’ to refer to the recommendation that comes from a Job Network member to us. It is not a breach; it is a recommendation for a breach. Those figures have been causing a lot of confusion. We have to make a judgment on those recommendations, then we apply the breach.

Senator CHRIS EVANS—I reckon the first time it gets challenged in the High Court the whole thing will fall over, but that is another issue.

Ms Vardon—I will get you the figures because I know we tabled it last time. We actually do not breach a lot of the recommendations that come across. Then, after we have applied a breach, they go to appeal, so it is those figures we have just given you about those who go to an appeal.

Ms Winzar—Senator, of the breach reports that are recommended to Centrelink, about 38 per cent are not applied. Centrelink has investigated that first contact, decided the person has a good reason for not having complied with the requirement and so the breach has not been applied.

Senator CHRIS EVANS—They are not actually overturned breaches. Technically they are recommendations for breach not accepted.

Ms Winzar—That is right.

Senator CHRIS EVANS—How many of the people who are actually breached then have those decisions overturned? Is that the 70 per cent/30 per cent figure you gave us?

Ms Winzar—If we are talking about those breach decisions which are subsequently set aside on appeal, my understanding is it is around one per cent.

Senator CHRIS EVANS—You mean by the Social Security Appeals Tribunal?

Ms Winzar—Yes.

Senator CHRIS EVANS—What about earlier in the process?

Ms Winzar—In terms of the authorised—

Senator CHRIS EVANS—What we have been talking about is the sort of end-of-the-road decision, isn't it?

Ms Winzar—That is correct.

Senator CHRIS EVANS—You, Mr Gibbon, were indicating that it was to the appeal review officer. Is that the right terminology?

Ms Vardon—Authorised review officer.

Senator CHRIS EVANS—You were saying how many were overturned. What percentage do they overturn?

Mr Gibbon—They overturn about 30 per cent but there is a very small number of decisions that are appealed to the authorised review officer.

Senator CHRIS EVANS—Why is that? They don't go through the process?

Mr Gibbon—People choose to either appeal to ARO or they accept the decision, Senator. That is purely driven by people that are aggrieved wanting to take the process further.

Senator CHRIS EVANS—There is no review, before you get to that level, inside Centrelink?

Mr Gibbon—There is an original decision maker at the review point.

Senator CHRIS EVANS—Once you get a letter from the third party, a person saying they failed to turn up for interview, you cannot contact them; you breach them.

Mr Gibbon—Yes.

Senator CHRIS EVANS—Their next port of call is the authorised review officer, is it? Or can they ring the Centrelink officer and say, 'Hang on a sec. I moved two weeks ago.'

Ms Vardon—They first go to the original decision maker. If they are not satisfied with the original decision maker then they can call for an ARO review. We are still talking internally.

Senator CHRIS EVANS—The original decision maker may well reverse their decision.

Ms Vardon—Yes, if they come within—

Senator WEST—In how many cases would the original decision maker overturn their decision or change their decision?

Senator CHRIS EVANS—We have got a figure at the end and a figure at the start. There are obviously a couple of things in between.

Ms Vardon—We have got the information, because I have read it, but I think that we should table it for you. We do not keep the original decision maker ones in a way that can be tabled but we certainly have got the ones for the AROs and the SSAT and the AAT. We will give you those.

Senator CHRIS EVANS—I have seen some of those before but I do want to try and nail it down just for my own understanding. You say you do not have statistics on the original decision maker altering their decision?

Ms Vardon—The briefing that I have got here says that we were not able to get those figures. We will go back and see if we can find them but I cannot give them to you today.

Senator CHRIS EVANS—I appreciate you taking on those but I am also trying to get a feel for how that works.

Ms Vardon—We try to give people as much chance as possible not to get breached and 86 per cent of people do not go anywhere near any regime that requires them to be breached. The obligations are met from both sides.

Senator CHRIS EVANS—But 302,000 do, so it is a sizeable issue.

Ms Vardon—That is right, 14 per cent have some contact with us. Usually they only have one breach, they remedy it and that is the last we see of them. There is a big drop-off when it gets to second and third breaches.

Mr Gibbon—The 302,000 relates to all breaches over that year, Senator. If you look at individuals, there are 190,000 individuals received—

Senator CHRIS EVANS—Could you give us those figures on the drop-off as well?

Ms Vardon—Yes.

Senator CHRIS EVANS—I am interested to see how that applies. It is possible for the original decision maker to get a call from the person who says, 'I changed addresses two weeks ago. I wouldn't have got the letter. On that basis it was unfair to be breached and can you fix it up?' and they just fix it up there and then if they think that is reasonable.

Mr Gibbon—That is correct, Senator.

Senator CHRIS EVANS—I suspect you do not have figures on that but, if you have them I would be interested.

Senator WEST—While you are talking about breaching, does Centrelink handle the administration of any concession cards that beneficiaries or recipients might—

Ms Vardon—Is this different from the health care card, Senator?

Senator WEST—It can be the transport card, the—

Ms Vardon—We have a contract with the New South Wales government and we will be implementing transport concession cards on their behalf, so Mr Wadeson can talk about the details of that, if you like.

Senator WEST—Thank you. What happens in other states? It is still kept with the individual state?

Ms Vardon—Yes.

Mr Wadeson—On behalf of the New South Wales government we issue what is called a half-fare concession card to people who are on the maximum rate of Newstart allowance.

Senator WEST—Did you make the decision that it would be done on the maximum rate or is it a piece of state legislation?

Mr Wadeson—No, the policy is with the state department of transport and we act purely as a provider of the service.

Senator WEST—It has always been allegedly the maximum rate?

Mr Wadeson—It has indeed, yes.

Senator WEST—Who used to administer it?

Mr Wadeson—Under the old arrangement the customer would come into a Centrelink office and would have to get a letter from us saying that they were a maximum rate customer. They would then go around to the state Department of Community Services—I am sorry, I have not got the correct titles of these departments—

Ms Vardon—Department of Community Services; that is right.

Mr Wadeson—So they would go around to that state department and the state department would then issue them with a card.

Senator WEST—Once they got the card, what happened if they were breached and had a reduced amount or something like that?

Mr Wadeson—The card has a three-month expiry date. The next time they came in to renew the card, if they had had a breach applied they would not have been a maximum rate customer and, therefore, they should not have been presenting for a card.

Senator WEST—But you did not advise DOCS in any way of a list of people who might have breached and, therefore, be not maximum—

Mr Wadeson—No. Our only role in the previous administration was to, at the customer's request, give them a letter to take to DOCS.

Senator WEST—I am now getting complaints from youth workers and youth organisations.

Mr Wadeson—Yes, we are aware of those complaints.

Senator WEST—Yes. They are now finding that these young at-risk people in the western suburbs of Sydney, who are under mentoring support, or whatever, are now losing their access to half-price transport because they have been breached for something. It might only be a couple of weeks breach, but it means that for that period of time they have lost their half-price transport, which does not help them when they have to be trying to undertake work activities and commitments and you have taken away their means of cheap transport.

Mr Wadeson—We are aware that the state department of transport and the New South Wales government are aware of the issue. At this stage the rules they have given us are quite clear on this.

Senator WEST—But you can see where the problem lies with this group of people. Previously, because you did not have any reporting mechanism through to DOCS, they were not doing anything about their half-price transport. Now a whole group is suddenly being hit.

Mr Wadeson—Yes, like you, we have heard these complaints and people have pointed to the issue that you have pointed to, but the old policy was not changed as a part of the transfer arrangement.

Senator WEST—On breaching, as well, with CDEP recipients, how does that link in with Newstart? Who has the obligation to advise whom of what is going on there?

Mr Gibbon—My understanding, Senator—and we would need to check this—is that people on CDEP are not on Newstart allowance or youth allowance and, therefore, the breach penalty regime does not apply to them.

Senator WEST—If someone goes onto CDEP, who is responsible for advising Centrelink? Does the individual or the organisation have a requirement to inform Centrelink?

Mr Gibbon—I know that the organisation presents Centrelink with lists periodically. My understanding would be that the participant would also have to advise Centrelink of a change in circumstances—that they are now on a CDEP project and no longer require Newstart allowance.

Senator WEST—How much of a problem is there with CDEP organisations being slow in getting their paperwork to Centrelink?

Ms Vardon—No, we do not know the answer to this question, Senator.

Mr Gibbon—If I could?

Ms Vardon—Do you want to have a go?

Mr Gibbon—I will have a go. There was a new measure brought in in the budget before last which is called the CPS, the community payment scheme, for CDEP participants, which gives people on CDEP the same add-ons as to Newstart allowance, such as rent assistance. My understanding is that, since that has been introduced, the reporting mechanism between the CDEP organisations and Centrelink has improved significantly in order to administer that payment, so it is much better than it used to be, Senator.

Senator WEST—But it has been a problem?

Mr Gibbon—I believe a few years ago it was not as good as it is now.

Senator WEST—Can I suggest that there are still some areas where it is a problem. Can I turn to FOI and breaching, please. I understand that there has been some interest on the part of at least one postgraduate student in seeking information in relation to breach rates and getting data. The information was sought in Victoria in November. I am hesitant to give names here.

Ms Vardon—Yes.

Senator WEST—Is the information on breach rates and that type of information available under FOI or available for postgraduate research?

Ms Vardon—This is a question that we are referring to Family and Community Services.

Senator WEST—I do not mind where it goes, as long as I can get an answer, except that I understand it was Centrelink that refused the request.

Ms Fleming—Senator, I believe you asked whether breaching information could be made available under FOI for the purposes of research.

Senator WEST—Yes.

Ms Fleming—The answer is that if the information exists and if it is factual material then, yes, it would be, but the material must exist in the first place. The legislation, the FOI act,

does set out a number of exemptions such as, for instance, if the documents do not exist or if unreasonable resources would need to be committed to obtaining the material. If, for instance, it was purely factual material, then yes, but it would depend very much on what was sought.

Senator WEST—I understand that a postgraduate student in Victoria, in November of last year, sought information, in writing, in relation to data on breach rates. What was sought were the regional breach rates by age of person and the numbers of individuals within regions subject to second and third breaches.

Ms Vardon—It is correct that we received an email request from a lady from the Victorian Council of Social Service on 25 July 2000 for data on the number of Newstart allowance recipients who do not comply with the activity test and how many people do not comply with the Work for the Dole program.

Senator WEST—No, that is not the one I am talking about. It was a letter either sent or received on 6 November last year.

Ms Vardon—I cannot answer that but I am happy to follow it up if I can get some more details.

Senator WEST—Do you have a knowledge team?

Ms Vardon—Yes.

Senator WEST—I am advised that Rick Jackson in the knowledge team was involved with giving the advice that, no, it was not available, and she asked for a response in writing in December and has not received any response to date.

Ms Vardon—I am very happy to follow it up. I think this is news to me.

Senator WEST—Do you have any idea of how many FOI requests are over 100 days old?

Ms Vardon—The answer is no, I do not know that, but I am very happy to look up this particular one. We normally handle them much faster than that. I will have to look it up, Senator, and I will have to find it for you, but I will need to discuss it with you outside so that you can give me some more details—the name of the person or some other contact point.

Senator CHRIS EVANS—Is there any basis on which you would refuse a request for that sort of information?

Ms Vardon—It would normally be if it required a very large amount of work to extract it.

Senator CHRIS EVANS—That is not the reason that has been given, apparently.

Ms Vardon—I need to follow it up. I need a hint from you, in some way, about what to follow up.

Senator CHRIS EVANS—I think Senator West has the name. It is best just to give it to you outside the hearing.

Senator WEST—I would also like to have on notice, when you are giving this information on breach rates, information on regional breach rates by age of person and the number of individuals within regions subject to second and third breaches. That information is available to us.

Ms Vardon—Senator, you can ask for anything.

Senator WEST—There is a difference between asking and receiving, Ms Vardon. I have learnt that over this period of time.

Ms Vardon—You will get it, Senator. You only have to ask us. We will deliver it for you.

Senator WEST—Thank you. That was the information that was being sought in this FOI request.

Ms Vardon—We will follow it up.

Senator WEST—Thank you.

Senator CHRIS EVANS—This is a different approach. That is not what Health and Aged Care say to me. They say, ‘Oh, Senator, it would be misleading if I were to give you those figures.’ This is a very refreshing approach.

Senator WEST—I have some more breaching information that I will put on notice. I would not expect you to have it.

Senator CHRIS EVANS—I want to ask a similar question about a privacy issue. I have had an approach from someone who I think lodged a complaint with Centrelink late last year regarding potential breach of privacy with some people who advertise in the *Seniors News* or a suggestion that they might have had access to personal information as a result of the person having a connection with *Seniors News*. Are you aware of that complaint?

Ms Vardon—I am not aware of that complaint, but if there was such a complaint we could find out. It is news to me. Can I understand what it is? They are complaining that some advertising in the *Aged Pension News*—

Senator CHRIS EVANS—That a company, an over-50s advertising group who advertise in the *Seniors News*, have somehow accessed social security database information.

Ms Vardon—That would be absolutely impossible, Senator.

Senator CHRIS EVANS—I am sure that is the case. That is why I was going to ask you about it. It did not come to me, it came to one of the other members of parliament, and they asked me to raise it. Apparently a complaint has been made.

Ms Vardon—We do not have the privacy person here. It is a matter of explaining to them that this is inconceivable. Again, I would be very happy to follow it up directly.

Senator CHRIS EVANS—I will give you the details following the hearing. But you are happy to assure me that nobody would have received customer mailing details as a result of having a commercial relationship with *Seniors News*?

Ms Vardon—Absolutely not. Yes, I can assure you that if people advertise in it, that is the extent of their involvement.

Mr Shimitras—I am not aware of this case.

Senator CHRIS EVANS—Is there any basis upon which mailing data for *Seniors News* would be made available to anybody else?

Mr Shimitras—The only mailing data that leaves Centrelink is mailing data that is used for survey purposes. I do receive odd inquiries from people who believe their privacy has been breached in situations like this, but essentially what happens is that the information is used for survey purposes. There is a place on the form when people fill out the form where they can choose not to be contacted for survey purposes, and sometimes it comes as a little bit of a shock to people when they are contacted for survey purposes and they find out that—

Ms Vardon—But not by people who advertise in the *Age Pension News*.

Mr Shimitras—No, not to my knowledge.

Senator CHRIS EVANS—I am afraid that, rather than clarifying for me, made me more concerned.

Ms Vardon—He is actually referring to our surveys.

Senator CHRIS EVANS—I see.

Ms Vardon—He is not referring to any surveys by any advertising.

Mr Shimitras—I have no complaints on our database in respect to *Age Pension News* advertising.

Senator CHRIS EVANS—This is a suggestion that somebody who actually advertises in *Seniors News* also seems to have access to personal mailing information of Centrelink clients. As I say, my information is they lodged a complaint with you in December last year. I will give you the specifics.

Ms Vardon—We do not give individual names to people who advertise in *Age Pension News*.

Senator CHRIS EVANS—There is no other basis on which anyone would be able to access the mailing list for, say, *Age Pension News*?

Ms Vardon—I do not want to mislead the Senate. That is a broad question. I will get back to you. I know the answer will be no, but I will trawl through the question—

Senator CHRIS EVANS—I am saying that the fact that they also advertise may not necessarily be linked. I am not saying as a result of advertising they got the list. The complainant alleges that they were told that their contact details were provided to the marketer from Centrelink.

Ms Vardon—I am happy to follow it up.

Senator CHRIS EVANS—I am not saying it is true, but it is the allegation. I am trying to check whether there is any basis for that.

Ms Vardon—I would be dumbfounded if I found there was any basis to that.

Senator CHRIS EVANS—I have a copy of the complaint and I will give that to you after the hearing.

Senator GIBBS—On page 11 of the annual report you are talking quite a lot about IT outsourcing and saying that good progress has been made. Considering the ‘balls-up’, I suppose you could call it, of the \$1 billion that was wasted because of mishandling by the outsourcing, has this impacted upon Centrelink’s IT infrastructure and planning?

Ms Vardon—Senator, I cannot make any comment on the opening statement that you have just made.

Senator GIBBS—I am not expecting you to. I am expecting you to answer my question. That was a prelude to explain where I was coming from.

Ms Vardon—What I am trying to do now is to refine the question so that I can answer it. Would you give me the second half of the question again?

Senator GIBBS—Considering there was bad handling of the IT outsourcing for Centrelink and there was much to-do about it in the newspapers—the cost of \$1 billion, et cetera, and it was mainly through consultancies; this attempted outsourcing of IT—how has that impacted upon Centrelink’s IT infrastructure and planning?

Ms Vardon—Senator, we went through a process. The process was halted by our board. It was a parallel process with the maintenance of our existing infrastructure. There were two parallel streams—a group of people who were looking at a set of tender arrangements and a group of people maintaining our own infrastructure. Our own infrastructure is sound and, to answer your question, none of the other processes impacted on our capability to deliver. Our board has asked us to consider what options there are for outsourcing of contestability and we will be doing it. But did it impact on our infrastructure? The answer is no. The infrastructure inside our organisation is solid.

Senator GIBBS—Will additional funds need to be allocated because of this?

Ms Vardon—No.

Senator GIBBS—It is not affecting your delivery of service to customers at all?

Ms Vardon—No.

Senator GIBBS—Thank you. I do have another couple of questions. Over on page 79 you talk about:

Maintaining the reduction in unplanned leave is a priority for Centrelink. Under the agreement, the unplanned leave measure is one of the measures used to determine our next pay rise.

Ms Vardon—Yes.

Senator GIBBS—Does this mean that if people take unplanned leave, down the line their chance of receiving a pay increment is jeopardised? Is that what you are saying there?

Ms Vardon—No. I have explained to the Senate in these hearings before that our pay rise is determined by improvement in a range of indicators where the pluses and minuses across that range equal 1, and I bring in an external auditor every year to check it. One of the targets is unplanned leave. It has been too high. It is very important in our organisation to bring it down; not to an unreasonable level but to a level that we are targeting at the moment, which would still put us in a high range. We think it is a reasonable thing that our organisation pays attention to this particular indicator. It could go up but if other indicators went down we could still make a payment. If other indicators improved and this one got worse, we could still make a payment. Payment does not depend on this indicator alone.

Senator GIBBS—No. How do you work that? Do you do an assessment of that particular section, like that particular area of employees, or do you do it on an individual basis?

Ms Vardon—No, we do it across the board, Senator. We get an average figure across the board. The pay is a decision we make for everybody. It is not individualised.

Senator GIBBS—I see. I was just wondering. With some people it is inevitable that they are going to have unplanned leave. They might break a leg—

Ms Vardon—That is why we put it in.

Senator GIBBS—or they might become ill or something.

Ms Vardon—Yes.

Senator GIBBS—Appendicitis or something, and obviously that is unplanned.

Ms Vardon—Yes.

Senator GIBBS—You actually account for that in your accruing, do you?

Ms Vardon—Yes. There are other people who take it perhaps every Monday or Friday, so, when we talk inside our organisation about approaching it, we are really approaching it in a

sense of those who may not or should not necessarily be taking it. We should reduce those days.

Senator GIBBS—So you are actually looking at people who have Mondayitis because they have had a rip-roaring weekend and really need to sleep it off, or those who take Fridays off because they really love their long weekend.

Ms Vardon—The figure constitutes a lot of things in our organisation. We introduced unpaid leave as a packet so that we could become a family friendly organisation basically, and because people have carer's responsibility, children, and so on. We expect it to be used reasonably.

Senator GIBBS—Right.

Ms Vardon—Some people, I have to say, use it all just because it is there, and that is not actually what it is intended for.

Senator GIBBS—No.

Ms Vardon—It is more like an insurance policy rather than an entitlement. I am having to be careful with my words, but we are trying to reduce the unnecessary use, if I might say that, but not at anyone's expense where there is a genuine need.

Senator GIBBS—I was just wondering if you factored in the fact that people can become ill or whatever.

Ms Vardon—Of course. That is why we introduced it, Senator.

Senator GIBBS—Thanks very much.

Senator WEST—Can I just finish off with the clean slate. I got waylaid by my colleague here. In talking about places for Work for the Dole, I can think of a number of places in rural and regional Australia where there is no Work for the Dole, so how do those people go about being able to access a clean slate?

Mr Gibbon—Senator, we have to do some analysis to answer that question to find out where that would be an issue. I do not have with me the distribution of Work for the Dole places, for example, and I would need that to correlate with the number of people being breached in those localities. In those localities where there is very little or no labour market the chances of being breached for the activity test are much lower than in the metropolitan areas. So, although this does not answer your question, it may be less an issue in rural Australia than it is in metro capitals.

Senator WEST—So we do not know how big an issue that is?

Mr Gibbon—I do not have the information before me, Senator. I would have to take it on notice.

Senator WEST—I understood the Social Security Act provides an entitlement for access to the clean slate provisions and Centrelink administers the Social Security Act. Am I correct?

Ms Vardon—Yes.

Mr Gibbon—That is correct.

Senator WEST—So, if there are no Work for the Dole places available, these people cannot get a clean slate, can they?

Ms Vardon—Senator, I know that they can but I need to get somebody who is more technical than me to answer it.

Ms Winzar—Yes, you are right. At a theoretical level that would be an issue, for people not being able to access the clean slate provisions because there were no program places. It is not one that has been drawn to our attention as a particular problem in any individual case. Mr Gibbon is correct when he observes that the breach rate is much lower in population centres which are quite small. I will just try and find that data for you.

Senator WEST—I am happy for you to take it on notice and give a considered response because, if people are supposed to have a right to the clean slate and get their payments restored, even if there is only one person who cannot, that puts somebody in breach of the Social Security Act, doesn't it?

Ms Winzar—It does not put them in breach of the—

Senator WEST—It does not put them in breach; it puts the department or Centrelink in breach, doesn't it?

Ms Winzar—At a practical level it is an option that is not available to that individual but Work for the Dole was primarily introduced—

Senator WEST—It is an entitlement.

Ms Winzar—as an option for people in poorer labour markets where there are less likely to be real jobs available. That is where it started out. So there are more Work for the Dole places in rural Australia than in metro areas. The other factor I think is important is that when we look at population centres, towns with less with 2,000 people in them have a breach rate running at around 10 per cent compared to about 16 per cent for the metropolitan areas. So there are a lot of factors to consider.

Senator WEST—You might like to identify for me all those factors that are there to be considered, please. If it is an entitlement and some people cannot access their entitlement they are losing rights.

Ms Winzar—That is correct, Senator.

Senator WEST—So there could well be some out there. I would like to know more details on how many, who, where, why, what and when, please, if that can be organised. Can I just ask about community service officers. As I understand it, this was the group of 33 or so people that you employed to provide outreach services to client groups such as the homeless—I presume the illiterate—to play a role in reducing the level of breaching because of this at risk group. I am wondering how many CSOs there are now employed, or staff that are employed to do that work.

Ms Fitzgibbon—Centrelink have the responsibility for the coordination of the community service officers. Yes, you are quite right. We have approximately 30. We were funded for 33 community service officers, which we now call community contact officers, quite some time ago, and we are currently having a major review of our community contact officers in the light of the changing outreach work that a lot of staff are doing as well as our community contact officers at the moment. But certainly those staff are still currently employed not in all our areas in Australia, but certainly in the locations they have been in now for a number of years.

Senator WEST—What locations are they in?

Ms Fitzgibbon—I would have to get that information for you, Senator, but that is easily obtainable.

Senator WEST—That is fine.

Ms Fitzgibbon—Certainly in the metropolitan areas in the major cities we have them because, as you say, they were initially designed for assistance for homeless people in hostels around the cities.

Senator WEST—I am happy for that to go on notice. I am also interested to know, if you could provide me also on notice, over the last four or five years, the staffing levels of CSOs or their equivalents over that period of time up until now, please.

Ms Fitzgibbon—Okay.

Senator WEST—With the program that you implemented to actually go out and target the illiterate and the homeless? With the breaching processes you cannot send a letter to someone who is homeless, can you, because you do not know where to find them? So you were organising programs to pick them up, and I am wondering are you seeing a change in the profile of their breaching from less initial breaching down the track a little bit, compliance checks breaching occurring because you have picked them up in the first round but it has been continued on and slipped through the cracks as they moved out of a region or something like that.

Ms Fitzgibbon—I am not quite sure what you are really getting at. It is certainly true that they do move an awful lot, that group of homeless people. They are very itinerant and that is one of the problems, as you say, with communication—letters can be sent—and that is one of the big issues that we have been looking at. We have been doing some major work in our Darlinghurst office where we have been getting a good number of homeless people who have been long-term unemployed. That is certainly giving us a lot richer data about the lifestyles of many of these people who, as you say, can easily get lost in the system because of their itinerant nature.

Senator WEST—Yes, particularly when you combine with that mental illness.

Ms Fitzgibbon—That is right.

Senator WEST—Or maybe substance abuse.

Ms Fitzgibbon—Yes. We are aware that a lot of work has to go into working with them, and even in this study it has taken us a long time just to find them and get them to be interviewed. We are putting a lot of work into this. Certainly the relationship between homelessness and breaching is something that we have a high priority on. Centrelink does look into the issues of homelessness and they are given a high priority in the initial assessment before any breach would be applied.

Senator WEST—Yes, that is the initial assessment. I have had anecdotal evidence from youth workers and other welfare workers in Western Sydney that you are actually now tracking more of them at the initial stages but that they seem to be being breached later on rather than earlier. Do you have any figures or any indication of a change of the breach that is occurring?

Ms Fitzgibbon—Not at that level, Senator, as it is very difficult to keep information on that. We do not actually collect data which allows us all the time to keep data on people that may be homeless. In fact, this may happen after a period of time and, as you say, issues of borderline mental illness are very difficult for our staff to pick up in some of these assessments. But what I can say is that we are certainly giving major attention to the issues of homelessness and breaching, and we are hopeful that we have a number of initiatives that will help us in that area.

Senator WEST—Thank you.

Senator CHRIS EVANS—Ms Vardon, I want to ask you some financial questions—a slight change of tack, in a sense. I noticed, looking at the portfolio budget estimates, that we still have most of your revenue coming from FACS.

Ms Vardon—Yes.

Senator CHRIS EVANS—Is it your expectation that that will continue or do you think that your supply of services to other departments will mean that FACS will represent less of the total over time?

Ms Vardon—Senator, we are delighted that FACS is about 92 per cent of our income, and we would want to maintain that very large income. But the government did actually set us up to be a one-stop shop or a single point of access, and it would be our wish to get more services like the transport concessions and others, so that an individual who came to our place could get a lot of human services in the one spot. So we want to build a contract around how we can help a citizen better, but it will always be that the FACS agreement will be the big one. Everything else that we have ever done is really very small in comparison.

Senator CHRIS EVANS—What is the extent of your loans now from FACS? I know you were borrowing from them at one stage. Have they been repaid?

Mr Gaukroger—Senator, the last time we borrowed off the government was in the 1998-1999 year as a result of restructuring. That was \$31 million. We have been paying that gradually, and I think it is under the cash flows on page 94. The last payment of \$6.2 million will be made in the year 2002-03. We have had no recourse to borrowing since then.

Senator CHRIS EVANS—Is that page 94 of the additional?

Mr Gaukroger—That is right, yes.

Senator CHRIS EVANS—Sorry, you said the last payment was made when?

Mr Gaukroger—We pay quarterly, and the last payment is due at the end of 2002-03 in the forward estimates on page 94.

Senator CHRIS EVANS—And that will clear you of any debts to FACS?

Mr Gaukroger—That is right.

Senator CHRIS EVANS—Have you borrowed off anybody else?

Mr Gaukroger—We borrowed—briefly—\$64 million at the beginning of 2001-02 and that was repaid during the short period when we were setting up what is called the section 20 account. That was a short-term borrowing. We have borrowed nothing else from any other sources.

Senator CHRIS EVANS—Where did you borrow that from?

Mr Gaukroger—That was the from department of finance.

Senator CHRIS EVANS—I'm sure you paid them back quickly! So that is the extent of the borrowings. Are the projections for the efficiency dividends still current?

Mr Gaukroger—Yes, they are, Senator. We have three efficiency dividends. We have the 10 per cent ongoing efficiency dividends, which recognises the efficiencies from Centrelink becoming a one-stop shop; we have the one per cent ongoing efficiency dividend, which is cumulative, so there is another one per cent this year, and that is applicable to all Commonwealth agencies; and then there is the \$25 million dividend regarding IT outsourcing which is also applied.

Senator CHRIS EVANS—Has the dividend from IT outsourcing been realised?

Mr Gaukroger—It will be enough to cover our expenses, matching our expenses with our revenue, and return an operating break-even result.

Senator CHRIS EVANS—Senator Lundy has threatened to come in later, so I am sure she will pursue that with you. It is way out of my depth. So what is the efficiency dividend for this financial year then in total?

Mr Gaukroger—The total for 2000-01 is \$225.2 million. I think that is also documented in the explanatory notes on page 99.

Senator CHRIS EVANS—Just refresh my memory: how is that \$225 million efficiency dividend returned to government?

Mr Gaukroger—Before we start business at the beginning of each year, Senator, that amount is reduced from our revenue, so before we start we start with a reduced revenue base—minus that \$225 million.

Senator CHRIS EVANS—Yes, but what was the base year for the efficiency dividends?

Mr Gaukroger—It was 1997-98.

Senator CHRIS EVANS—That is when they took what you were on then, indexed it, and then reduced it by the efficiency dividend? Is that the way it works?

Mr Gaukroger—It works on the base year. The 10 per cent, for example, is progressively increased. From recollection, in the first year it was about four per cent which was applied and it was gradually increased until last year where it has come up to the rate of 10 per cent, and that is ongoing. The one per cent normal efficiency dividend is cumulative, so for the first year it started at one per cent and I think it is up to about four per cent now. The IT outsourcing dividend was in 1998-99.

Senator CHRIS EVANS—So what did the Commonwealth give you in total once they had deducted the \$225 million for this year?

Mr Gaukroger—In total we have been given \$1.744 billion. That is on page 93.

Senator CHRIS EVANS—Billion?

Mr Gaukroger—Sorry—bit of a slip there—\$1.7 billion.

Senator CHRIS EVANS—It is easy to forget; it is like a health care rebate. So that is separate from the fees for services to the other departments?

Mr Gaukroger—That is all inclusive, fees for services for all departments, including Family and Community Services and DEWSRB, DETYA and all the ones under the purchaser provider arrangement.

Senator CHRIS EVANS—Yes, that is what I was trying to understand—how the purchaser provider arrangements jell with the efficiency dividend in the sense that now you have moved to this purchaser provider arrangement how much of the \$1.744 billion is earned by you?

Mr Gaukroger—The bulk of it is. There are other items here. For example, the interest which we earn on our cash balances for the bulk of—

Senator CHRIS EVANS—Sorry, Mr Gaukroger, which is the best table in the estimates for following this?

Mr Gaukroger—Probably one of the earlier ones, Senator—page 88 or page 89, either one.

Mr Hickey—Senator, the purchaser provider relationships would cover over 99 per cent of our revenue. The contracted earnings that Centrelink generates revenue from would be a very small part of our total revenue—less than one per cent.

Senator CHRIS EVANS—Yes, but the purchaser provider agreements are not strictly fee for service, are they? How do they work then?

Mr Hickey—The terminology bounces around but it is a purchaser provider relationship that we operate between the major departments, such as FACS, DEWRSB and DETYA. We negotiate agreements with them each year and, as part of that process, the revenue for us is struck but it has regard to the government's overall budget policies, including the efficiency dividend processes.

Senator CHRIS EVANS—I am just trying to work out in my mind how those two operate, given that you are negotiating with a number of departments based on a base year and then efficiency dividend is applied. I gather the theory of the purchaser provider arrangement is that they pay you for the cost plus a margin for the service provider. Is that the theory?

Mr Hickey—They have a reasonable expectation that Centrelink will improve the efficiency of its services. The minimum measure of that is the efficiency dividend that the government expects all departments to generate.

Senator CHRIS EVANS—So it works backwards rather than forwards.

Mr Hickey—Yes.

Senator CHRIS EVANS—In the sense that you do not strike a price and multiply that by the number of clients.

Mr Hickey—In that case, yes.

Senator CHRIS EVANS—But that is in a global sense. Then you have to split that between various customer departments, do you not?

Mr Hickey—Yes.

Senator CHRIS EVANS—So it is not really a fee for service then, in that sense.

Mr Hickey—I would not want to imply a degree of precision in the costings of that large amount of money for a complex array of services. What we are doing is negotiating, if you like, a resource agreement through the business partnership arrangements which strikes a reasonable sum of money in return for the defined set of services. We are moving to improve our costing information, but in striking that global amount we have regard to the government's policies.

Senator CHRIS EVANS—At the moment FACS do not go to the Commonwealth Bank, for instance, and say, 'Can you provide the service for providing Newstart cheaper than'? This may be a step in the future, but at the moment they do not do that—but there is no basis for them to do it in that sense at the moment, is there? What you are doing is you have a global figure, you have indexation less—was indexation included since the base year, or not?

Mr Hickey—Yes, we received indexation.

Senator CHRIS EVANS—So you have indexation less efficiency dividend, equals X amount of dollars. Do you then go and negotiate with the departments which share of the X amount of dollars they are going to pay?

Mr Hickey—In general terms the process you describe is the way it operates at a high level. Of course it is more complex than that when it gets down to us providing services to a dozen Commonwealth departments. The nature of the arrangements we have, depending on the service, can be very precise from the contracted services we provide through to the more global approaches that are taken with FACS, which, as the CEO has said, represents about 92 per cent of our income. We are developing costing models which will enable us to go to more levels of detail in the future, but those processes are still evolving.

Senator CHRIS EVANS—Is this part of this new funding model you are supposed to be developing?

Mr Hickey—There is a funding model, which is the way in which the resources are delivered to the client departments and which come to us through the business partnership agreements. Internally we are doing a lot of work on costing models, which will help us and the client departments understand why it costs so much for a particular service.

Senator CHRIS EVANS—What is the direction of the new funding model? What are you supposed to end up at?

Mr Hickey—There has been a funding model in place for Centrelink and its predecessor organisations for very many years which is revised from time to time, which is used as the basis for calculating ons and offs to Centrelink's resourcing in order to deliver the given amount of services. It is reviewed on a regular basis and we are currently in the process of reviewing it.

Senator CHRIS EVANS—In simple layman's terms, what is the current funding model? For me it seems like it is X plus Y minus Z and that is what you have got to do the job. It does not seem terribly sophisticated, but obviously there is much more to it than meets the eye.

Mr Gaukroger—A certain part of it is formula driven, Senator.

Senator CHRIS EVANS—What does 'formula driven' mean?

Mr Gaukroger—There is a certain part of the base which is formula driven which takes into account things like the efficiency dividend, indexation and the like. On top of that you have got things like budget initiatives and there is also a variable component—customer numbers—which may go up or down, which will influence revenue.

Senator CHRIS EVANS—I see. So, when they give you the X, they then say, 'But in a budget we ask you to do all this work on the aged care savings bonus plan so we are going to add \$30 million in for doing that and then add that to the X.' Is that how it works?

Mr Gaukroger—If there is additional work that may mean additional revenue, yes.

Senator CHRIS EVANS—And do they also make deductions if they think you are not doing certain work that you used to do?

Mr Hickey—Yes.

Senator CHRIS EVANS—So that happens each budget. How is the new funding model going to be different?

Mr Hickey—The new funding model, as we are developing it, is attempting to look at the whole basis of the funds that come to Centrelink from the variety of agencies that I have mentioned—about 12 agencies—looking at how we might be able to plan for the future and the basic infrastructure that is required to deliver those services, but at the same time deliver greater transparency to the client departments for the actual cost of the service delivery

element. But there will always be, inevitably in each budget process, ons and offs to that process depending on government policy or program decisions which might generate additional funds or might remove funds from the funding base. So that annual adjustment process is still going to be there.

Senator CHRIS EVANS—You do not see yourself moving straight to a sort of fee for service arrangement?

Mr Hickey—If fee for service is defined as providing a contracted price for the delivery of an individual service to an individual customer, at this point certainly not. That would be a far too complex process that we simply would not have the administrative resources to manage.

Senator CHRIS EVANS—Is that the only reason why you would not want to move down to that model? It seems to me that is the logic of where there a lot of the reforms in public administration.

Mr Hickey—No, I think if you look at the theory of activity based costing systems, Senator, they work well in a manufacturing plant where there is a standard product being produced through a standard process. When you get into the complex field of human service delivery, which we are involved in, it is simply not possible to define our costs down to that level of operation. What we are trying to do is strike a balance—a sensible and transparent approach to costing the services we do deliver with a manageable system.

Senator CHRIS EVANS—I suppose your critics would say that is how you featherbed bureaucracies because—I am playing devil's advocate here—they never have to explain certainly how they price something and they do not have to compete in the market and, if we really want to test Centrelink, we have to go to the Commonwealth Bank or Telstra and see if they can do it cheaper. What do you say to that criticism?

Ms Vardon—I think there is a cost to government for providing a network across Australia and a one-stop shop. The capability to deliver that has a price of its own which is not necessarily connected to every single tiny program that we administer. That is what we are trying to separate out.

Senator CHRIS EVANS—So, if you want to keep an office open in Fitzroy Crossing, there is a price to be paid basically. Is that what you are saying?

Ms Vardon—It has to be taken into account.

Mr Hickey—We also should say that no costing system, however detailed, is always going to provide all the answers to the questions that the client departments might have, so you have to complement any costing system with another process of joint review, if necessary, of business processes. If client departments were to say to us, 'Based on the cost information we provide we think that this looks like a very costly process that you administer on our behalf,' we are quite willing to sit down and go through a joint review to identify those issues. There are other checks and balances in the relationship.

Senator CHRIS EVANS—Has the Centrelink board come up with a new funding model, a new way of determining funding for Centrelink? I know, Ms Vardon, you have expressed here before concern about the impact of the efficiency dividend on your capabilities. Has the Centrelink board made a decision about a new funding model?

Ms Vardon—It is not really up to the board to make the decision; it is up to government to make the decision. The board knows that we are working with our government colleagues to get an agreed model and we are still negotiating it.

Senator CHRIS EVANS—When is that model to apply from?

Ms Vardon—I think that we would all want it to be available as soon as possible.

Senator CHRIS EVANS—Sorry, I was really inquiring as to the deadline or the process of what government has determined? Is it for next financial year or is there a deadline?

Mr Hickey—Ultimately it would be a matter for the government to decide as part of the budget processes when it came into effect, Senator, so we really cannot comment on it.

Senator CHRIS EVANS—No, I am not really after the deliberation of the government; I was just wondering whether they had announced whether they wanted the new model to apply from the next financial year.

Mr Hickey—No.

Senator CHRIS EVANS—There is no public announcement about that?

Mr Hickey—No, there is no fixed date.

Senator CHRIS EVANS—So you are working with other departments. Are they your client departments?

Mr Hickey—Yes.

Ms Vardon—And the Department of Finance and Administration.

Senator CHRIS EVANS—That is a cooperative effort to determine a new funding model for Centrelink?

Mr Hickey—Yes.

Senator CHRIS EVANS—What are the client departments wanting from you? Are they wanting to be able to more accurately cost each service?

Mr Hickey—The client departments are in the best position to answer that, but generally the discussions have been—

Senator CHRIS EVANS—I am sure you got the message from them.

Mr Hickey—Yes. The discussions have been at two levels. We on the one hand have said that in order to deliver the complexity of the services we do deliver there needs to be some stability in the infrastructure funding available for Centrelink. On the other hand the client departments do want greater transparency in our cost information, and what we are trying to do is to strike a funding arrangement that would balance both of those considerations. We have got active engagement from the key client departments as part of that process.

Senator CHRIS EVANS—So, apart from the concern about the cost of maintaining one-stop shops with national coverage, what else would lead you to think that you did not want to go to a straight fee for service model?

Mr Hickey—In the models that I am familiar with in other portfolios, Senator, there would generally be a concept called community service obligations that is recognised.

Senator CHRIS EVANS—That is a very old-fashioned phrase.

Mr Hickey—It is, yes, but the principle remains true; that is, there are costs of operation as a government agency, as Centrelink is, that, if you look at it from a competition point of view, a private sector competitor would not have to face. That would include importantly, in the case of Centrelink, the privacy and security costs associated with the dataware holdings that we have, the compliance function that we have which is designed to protect the

Commonwealth revenue, and the general accountability obligations of a government agency would be additional costs over and above the usual fee for service arrangement.

Senator CHRIS EVANS—Yes, I had not thought about the privacy and security but obviously in your area that would be a huge issue, wouldn't it?

Mr Hickey—Yes. The design of our technology systems to deliver a particular business process, if I can put it that way, have to factor in the intense interest that the parliament and the public have generally in our capacity to protect all of the data that we do hold.

Senator CHRIS EVANS—Mr Rosalky, as the payer of 92 per cent of the bills, what is FACS's attitude?

Mr Rosalky—What Mr Hickey has been telling you, Senator, has been completely compatible with our views. One phrase he said earlier that caught my ear was that Centrelink does deliver a very wide range of complex and specialised services, so that is why we are so closely tied to them. Obviously as funding and costing models are developed, that helps us to understand costs better and therefore what the drivers are, and therefore how we can develop jointly to improve service. Mr Hickey used the term 'community service obligation' but that is basically the sort of thing Ms Vardon was talking about of the government providing through Centrelink a network of service delivery centres and the one-stop-shop provision of a number of services, plus their unique IT infrastructure which is so critical to delivery. It has been built for many years and invested in by government to deliver the sorts of services FACS is responsible for.

We therefore need to work with them through good transparent costing information and funding information to understand how we can jointly improve on those services. I think you used the phrase, 'coming from the other end' in the costing model and that is not a bad description. We are working together all the time to improve services within those costs. One thing that was not mentioned very much—I think there was some reference to it—is the importance of our ability jointly to negotiate new activities that Centrelink get involved in.

A quite important example was the establishment of the Family Assistance Office where FACS on behalf of the government did negotiate an arrangement between three government owned service entities, being Centrelink, the Health Insurance Commission through its Medicare offices, and the Australian Taxation Office; a joint delivery model where there is a memorandum of understanding signed between FACS and those three delivery agencies. Prices and services were negotiated between us and those three agencies to deliver an integrated Family Assistance Office. But it was good costing information that would help us to reach a satisfactory and cost-effective solution for government.

Senator CHRIS EVANS—As I understand the whole trend for a number of years, it has been to really get to that fee for service and make all costs transparent, hasn't it, Mr Rosalky? I thought there was a lot of pressure to go down that path. Are you agreeing with the analysis of Centrelink that that is not necessarily appropriate in this case?

Mr Rosalky—It is much easier and probably more appropriate for some sorts of services but the relationship between FACS and Centrelink, originating in the separation of the integrated service of the Department of Social Security, really has meant effectively a bulk delivery of this very complex range of services. As the time unfolds and costing and process information becomes available, the sources of productivity that Centrelink has clearly been achieving since it has been formed and is able to enter into new service technologies, et cetera, is all something that is very valuable to us, and therefore it has been a joint learning development process. It would be better to have more transparent costs. It would give us more

ability to choose the priorities as pressures shift on us, be it changes in client population or government requirements that are not necessarily formula based. It would help us to solve and get the best allocation of resources with Centrelink to get the maximum service. That is why funding clarity, costing clarity, will help us to get a much better product and better improvements in that product in the future. But that is not a detailed service for service feedback. I think we are a long way from that and I am not quite sure it would be applicable to the bulk of our business.

Senator CHRIS EVANS—Does that mean also that you are not envisaging FACS purchasing from other providers or other suppliers?

Mr Rosalky—I made the point that Centrelink's origin, of course, is to have developed an infrastructure that is so critical and designed around the delivery of the programs for which my department is responsible.

Senator CHRIS EVANS—It is very hard to let go sometimes, I think.

Mr Rosalky—There is a sort of natural monopoly on it for large parts of our business, so the onus on both of us as organisations is to get the greatest cost-effective and best service result using that investment of government and that is essentially what we have been doing for the very large bulk of our business. There are always elements around the edge of the business that one might get benchmark costs from other potential deliverers but that is very much at the margin.

Senator WEST—Can I just follow on with the issue of funding. Am I right in understanding that the IT dividend for 1998-1999 was \$55 million?

Mr Gaukroger—The IT dividend, Senator, you are saying?

Senator WEST—Yes.

Mr Gaukroger—In 1998-99 it was \$5.9 million. In 1999-2000 it was \$25.4 million.

Senator WEST—They were the dividends that were actually realised, were they?

Mr Gaukroger—Yes, they were.

Senator WEST—Was there an estimate of what you expected them to be in 1998-99 and 1999-2000?

Mr Gaukroger—That is what the numbers were, Senator.

Senator WEST—So you actually reached your estimates.

Mr Gaukroger—That is right.

Senator WEST—Does this dividend carry over?

Mr Gaukroger—Yes, it is ongoing. In 2000-2001 it is \$24.8 million.

Senator WEST—I am interested to know how you get a dividend when you actually have not outsourced it; it is your in-house operation. Where does the dividend come from? How does that arise?

Mr Hickey—Senator, these efficiency dividends are deducted from the funding that comes to Centrelink as part of the budget processes. The bottom line for us is that there is an amount of money that is available through the client departments for us to deliver our services, and it is up to us to manage ourselves with that given sum of money. What we do is, through a range of internal budget management processes, decide how we will be able to deliver that level of efficiency against the total bottom line that is available.

Senator WEST—On the pure fee for service model, has any pressure been brought to bear on Centrelink to produce that sort of service model—even on a piece of paper?

Mr Hickey—There was an Auditor-General's report a couple of years ago which recommended that Centrelink develop an activity based costing model. That work has been proceeding, through joint working parties, with the key client agencies. I do not think there is any suggestion in that context that we would go to a pure fee for service model in the sense of charging for individual services for individual customers, but the direction in which the clients would like us to go clearly, as Dr Rosalky has said, is towards greater levels of transparency about our cost base.

Senator WEST—They have not ever asked you to put up a piece of paper on what an option might be for that, or to go further into pure fee for service models?

Mr Hickey—No. The dealings that we have had with the client agencies have either been through this working party looking at activity based costing systems or in discussions that I have had with my counterparts in departments about funding model issues.

Senator WEST—Would a pure fee for service costing model make it easier for government to compare prices to outsource it?

Mr Hickey—No, for the reasons I mentioned earlier—Centrelink is a Commonwealth agency with a complex range of responsibilities, and maintaining a national network carries costs that you could not compare directly with other providers. Therefore, fee for service is not going to provide the answer. There needs to be some element that recognises those core capability costs separate from the actual service delivery function.

Senator WEST—Turning now to key performance indicators, which is something we traversed last time and I will have another go with it, I am interested in the one on breaching as part of your business partner agreement with DEWRSB. Can you tell me what key performance indicator 6 says? It requires you to apply 60 per cent of the Job Network numbers breach recommendations; that they are maintained, and things like that.

Ms Vardon—Do you want to ask the question, Senator?

Senator WEST—I am wanting you to refresh my memory on key performance indicator 6, please.

Mr Wadson—The reports we get from Job Network are now called participation reports. The current KPI 6 that is in the signed business partnership arrangement with DEWRSB refers to 'the proportion of all participation reports that are actioned within the required time frame and the proportion of breaches that are maintained'. Then it sets out benchmarks. They are that at least 75 per cent of all breaches are maintained and that action on at least 80 per cent of all participation reports is completed within 10 working days of electronic notification being received from Job Network members. That is different to the KPI that was used last year.

Senator WEST—The KPI has changed?

Mr Wadson—It has changed, yes.

Senator WEST—Maybe I had better ask for a copy of the KPIs then, please.

Mr Wadson—We did forward three copies, I think, to the Senate.

Senator WEST—Did you?

Mr Wadeson—It was put on notice last time and we said that when the agreement was signed we would forward it to the Senate, which was done, I understand.

Ms Vardon—We are happy, though, Senator, to reissue them to you.

Senator WEST—Thank you, Ms Vardon, because somewhere along the line I have not received it. It has been and gone. You were given percentages of breach recommendations to be maintained?

Mr Wadeson—The benchmark that was in place for last year was 60 per cent of advices that were received from Job Network members would be raised as a breach. That was a benchmark that was set. That has been deleted. That benchmark is not in the new agreement. The agreement that is there now says at least 75 per cent of all breaches are maintained, which means that once a Centrelink officer determines that a breach is appropriate and raises that breach, in 75 per cent of cases that will be maintained. It is regarded as a quality measure—that we do not raise breaches unless we are fully convinced that there is a good reason.

Senator WEST—Could you not also argue that, if there is a minimum breaching requirement to be maintained, that in fact means that breaches will be maintained regardless of their quality?

Mr Wadeson—The benchmark has been set at 75 per cent to give every opportunity to revoke the breach at the point where the customer comes in with a good explanation. There is always a tension. You could raise a breach and see what happens. We have tried to structure these so that that is not the incentive. We are trying to strike a balance here between a considered view of the breach and then getting it done in a timely way.

Senator WEST—You do not think there is any flaw in the KPIs?

Mr Wadeson—No.

Senator WEST—There was another figure there with that KPI.

Mr Wadeson—At least 80 per cent of all participation reports are completed within 10 working days.

Senator WEST—What does that mean?

Mr Wadeson—It is a pure timeliness issue. From the time we receive the recommendation from the Job Network, we do something within that period.

Senator WEST—How are you going in reaching that?

Mr Wadeson—On the timeliness one, from my recollection, at the end of December we are virtually on or just over the 80 per cent.

Senator WEST—Is that 10 working days or 10 calendar days?

Mr Bashford—It is 10 calendar days.

Mr Wadeson—No, 10 working days.

Mr Bashford—It has changed.

Mr Wadeson—It is in the agreement as 10 working days—the signed agreement.

Senator WEST—This to some extent goes back to some of the breaching discussions we had earlier, does it not? There is a figure there, you have a time restriction on you; if you are, in areas, going to get a letter out, get people in and get decisions made, you really do not have a great amount of time if some of the postal services are going to take a week.

Mr Wadeson—That is true, Senator. On the other hand, the action is 80 per cent. We are only requiring 80 per cent and the judgment is that, yes, there will be those cases where you cannot complete it in the time. But we are trying to strike a balance. It is not good customer service to have these things sitting around and then have them all actioned at some point long after the customer can even recollect the circumstances. There is a tension there in the timeliness and it is a tension between quality and timeliness, but we are trying to reach a balance. The view was that 80 per cent enabled the bulk of work to go through in a fairly timely way.

Senator WEST—Of the 75 per cent of all breaches to be maintained, is that breaches that are actually actioned or is that recommendations?

Mr Wadeson—No, that is actual breaches. Our officers have decided that, on the basis of the evidence they had from the Job Network member and their contact with the person, they would raise a breach and that breach holds. Once a breach is raised, 75 per cent of those will be maintained.

Senator WEST—It obviously has to happen, regardless of the quality of the breach, but I am concerned that setting a figure like that could be a reason or indication as to why there are a high percentage of breaches being overturned on appeal.

Mr Bashford—I do not understand how that holds, Senator. The KPIs are simply there to ensure that we do a quality job in a reasonable time.

Senator WEST—Do you get penalised if you don't meet the KPI?

Mr Bashford—If we do not meet an individual KPI we do not get penalised.

Senator WEST—Never ever?

Mr Bashford—Not an individual KPI, no.

Senator WEST—How many KPIs do you have to fail to meet before you start to get penalised?

Mr Bashford—There is a complex formula in place which came in in December of last year. It works out whether you get a bonus or a penalty.

Senator WEST—Would you like to run through that for me, please? Or is it too complicated and you would like to give it to me on notice? Mind you, if it is complicated, my eyes might glaze over. I might need it on notice.

Mr Bashford—It is in the schedule E of the agreement that we sent to you.

Senator WEST—Right.

Mr Bashford—Basically, if we meet the KPIs no money changes hands. If we exceed all of the KPIs we get a bonus; if we fail to meet all the KPIs we get a penalty applied and there are a number of combinations between those two extremes.

Senator WEST—There has been a change in KPI 6 from last signing to this current one that is in operation. Would that indicate that the current KPI 6 is easier to attain, easier to fulfil than the previous one?

Ms Winzar—No, Senator. In fact at the old agreement, the 60 per cent figure, we were running at or very close to it, so that was not the issue at the time.

Senator WEST—Do you think these KPIs ensure quality?

Ms Winzar—We have tried to strike that balance between quality and time limits.

Senator WEST—Why did you find a need to change the KPI?

Ms Winzar—Do you mean the 60 per cent one that was in the old KPI?

Senator WEST—Yes, the old KPI 6 and the new KPI 6.

Ms Winzar—I think there was a perception or a danger that that could have been read by staff that there was pressure on them to take action when they really should have taken extra steps or something. It was not one that we saw in action but when we were reviewing the partnership arrangement as a whole, it lent itself to that interpretation, which was one we were keen to avoid.

Senator WEST—You don't think this new one leads to that sort of interpretation?

Ms Winzar—We have put a lot of effort into talking to staff about the interpretation of these indicators. We believe that the sort of percentages here should give them in every case the feeling that they have the room to move to exercise their discretion. They are not going to be penalised where they are doing that correctly.

Senator WEST—In some situations the old one was unfair or open to interpretation that could have made it unfair?

Ms Winzar—We came to the view that you could form that interpretation but we did not see any evidence of it. Even when we started it was the sort of figure that we were quite capable of attaining. But it was open to that interpretation and it was decided that it would be removed. As part of that arrangement we now have this timeliness standard which was not in the old agreement. It was something of a restructuring.

Senator WEST—What was the increased rate of breaching that took place last year?

Ms Winzar—Sorry, Senator, we provided those figures at the last—

Senator WEST—Was it about 150 per cent?

Ms Winzar—Yes, it was a significant increase.

Senator WEST—That would lead me to suggest that if you had a significant increase in breaching, the old KPI 6 was unfair and at fault. Your new one hopefully will overcome some of this unfairness and not have this 150 per cent increase in breaching.

Ms Winzar—None of these indicators have ever been a determinant of numbers as such. We have never set, or would consider setting, a target for numbers. They were always a percentage of advice we received from Job Network members. The reason for the increase in the breaches is that Job Network members have been actively recommending, if you like, that this action be taken. That we actioned a percentage of them was more an attempt to make sure that the relationships between Centrelink officers and Job Network members was such that the process was not one that was going to be useless for both parties. That is, we did not want to be receiving a whole lot of that work and not actioning it. That would be a waste of time for everybody. It was decided that these would provide an incentive to set up a proper working relationship; one that works for the customer.

Senator WEST—Did you ever at any stage think you were getting spurious or vindictive third-party network provider reports?

Ms Winzar—We have a very excellent arrangement between our area managers and the state network of DEWRSB. Anything like that is very quickly addressed through that network. If there are issues to do with the quality of breaches, particularly if they are of the type you have spoken about, we have a capacity to have them very quickly dealt with through

the client department. Yes, the major issues our officers strike are like anything else. There will be a change of personnel at a Job Network member's office and some breaches will come through which do not comply with our requirements. Fortunately now most officers have a very good relationship. They get on the phone quickly and they offer to provide training. It certainly works pretty well. You would expect that. We are putting a lot of effort into making sure this process is fair and viable.

Senator WEST—Are you seeing a drop already in the number of breaches? Given the financial year is half over, are you seeing the drop that would indicate this unfairness under the last KPI has been removed?

Ms Winzar—I am not fully familiar with the figures but I am aware that the numbers are continuing to increase.

Dr Rosalky—I am advised there is no drop, Senator.

Ms Vardon—We are, however, clarifying what is a breach and what is a recommendation for a breach, which used to confuse the figures.

Senator WEST—Are you seeing a drop in the number of recommendations then?

Mr Bashford—I am advised there is no drop in the number of recommendations, Senator.

Senator WEST—Okay, can I turn to your computer? How much computer training do new staff get?

Ms Vardon—We have recently done some new recruiting in the customer service centres. We have improved our orientation program, including access to the computer, in the sense of their reference suite and how to make it work.

Senator WEST—You work on Lotus, don't you?

Ms Vardon—Some of our work is in the Lotus suite.

Senator WEST—How many people out in the general public who are computer literate are familiar with Lotus? One of my colleagues just said, 'What's that?'

Senator Vanstone—You are not seriously expecting Centrelink to be able to give you a percentage of the general populace who are familiar with one form of software or another. I agree, they are pretty good but you are stretching it.

Senator WEST—I think, Minister, that the number—

Senator Vanstone—If you want to make the bold assertion you do not think it is as well known as some other programs, that is for you to make.

Senator WEST—No. The point I am making is that in the IT computer industry the usage rate of a Lotus suite as opposed to a Microsoft Windows Word suite is well known. And the other thing, following on from that, is that, if you go and do a computer course at TAFE or something like that, you will not routinely or automatically be taught Lotus; you will be taught the Microsoft set of suites for Word, Access, all of that, and this is a problem: that you get people who are quite computer literate but you stick them in front of a Lotus suite and say, 'Go operate,' and it is, 'Ooh.'

Ms Vardon—Senator, yes, it is. We have had the Lotus contract for a long time and it is not quite as familiar as others, but can I say there are huge advantages with Lotus, and every time there is a bug in Microsoft or anything goes wrong or a virus, we are protected because Lotus is not as well used, so they do not bother to put viruses through it.

Senator WEST—Probably because a lot of people cannot put anything through it at all, but, anyway.

Ms Vardon—It is not all negative having the Lotus suite.

Senator WEST—I am not wanting to get into the pros and cons of that particular side of it, but I am wanting to know what training is done for new staff.

Ms Vardon—It depends whether you are talking about programmers or IT people or whether you are talking about customer service officers.

Senator WEST—I am talking about those who talk to clients.

Ms Vardon—The customer service officers. I will have to get somebody who is more technically competent at answering this question than I am.

Senator WEST—I am happy for you to take it on notice.

Ms Vardon—Yes, we would rather. Could you just give to us exactly what it is that you want us to answer.

Senator WEST—I want to know what training you have for new staff recruits. When you say customer service operators—

Ms Vardon—That is both the call centres and the customer service centres. They both are trained in the use of the computer.

Senator WEST—Yes. What about your more specialist area? Do customer service operators include social workers and others?

Ms Vardon—No. You could broaden the question. I could help you with those people who work with customers. We could answer the question if it was framed like that.

Senator WEST—Okay.

Senator Vanstone—Put it on notice.

Senator WEST—It is going on notice, because I am interested to know, if you are offering—

Senator CHRIS EVANS—Lotus have just signed Ms Vardon for an advertising contract. They are very impressed.

Ms Vardon—Yes, we can certainly answer that question.

Senator WEST—Because I am also interested to know what training is given on the computer for all of your staff, not just your CSIs, because whilst they are having a face to face, when you get someone who has a problem and needs it to be really detailed, played with and looked at and you have to send it off to a FIS officer or a social worker or something else, then how well trained are all of those new people coming on board?

Ms Vardon—I think, Senator, the issue is not Lotus; the issue is also the electronic reference suite.

Senator WEST—It might be, too.

Ms Vardon—But I am happy to give you an answer which says what training people get in the use of technology that helps them provide customer service.

Senator WEST—Are your computers up for a new program or something new, a referral or something? I think Senator Lundy will probably cover it.

Senator CHRIS EVANS—Have you had any difficulty with the family payments lately? Someone suggested there had been some problem with assessing eligibility for family payments. Is that correct or not? Should I do that on FACS?

Senator Vanstone—Yes.

Senator CHRIS EVANS—No, I am happy to leave it until we come to FACS.

Ms Vardon—I think we should answer it from FACS. Do you want to answer a question about family payments? We think that the family program for FACS might be better, because it is really the program structure that we would be talking about.

Senator CHRIS EVANS—Yes. There was some suggestion that it involved the computing side of it, which I thought might have been a Centrelink issue.

Senator Vanstone—I think the secretary is probably right. It is an on balance decision but the situation that needs to be resolved is a function of FACS, not Centrelink.

Senator CHRIS EVANS—I was going to ask about the shared care arrangements as well. We had best do that under FACS. We will do that then. Just in terms of the fraud and compliance campaign that is budgeted for, has Centrelink involved in that campaign or is that all going to be done out of FACS?

Dr Rosalky—It is designed as an ongoing program that the department has been designing and is responsible for.

Senator CHRIS EVANS—Okay. We will do all that under FACS.

Senator WEST—Can I ask one about the private trusts and private companies mail-out, please? You have done a mail-out on private trusts and companies, I understand.

Ms Vardon—We have, Senator.

Senator WEST—Was that a large amount of material?

Ms Vardon—Yes.

Senator WEST—I had a few complaints. Have you?

Ms Vardon—Not me personally.

Senator WEST—Centrelink, I should say, yes, sorry.

Ms Vardon—Yes, we have had a set from one person, yes.

Senator WEST—Would you like to outline how many you have had, please, and how many people have received information about this when they should not have or need not have?

Dr Browne—A total of 142,780 customers were sent letters and asked to provide detailed information. Those customers were selected, if you like, on the basis of some data matching that was done with the Australian Tax Office and with the Australian Securities and Investments Commission, which indicated to us that there was a very strong probability that they had arrangements with private trusts and companies and would therefore be involved in the new initiative which is to come into force at the beginning of next year. We are giving them an opportunity to provide the information at this point.

Senator WEST—Am I correct in understanding that the information that ASIC supplied was a surname and initial only?

Dr Browne—I would have to take that on notice, Senator.

Senator WEST—This was not properly cross-referenced with Centrelink data?

Dr Browne—My understanding is that the data was matched on name, date of birth and address.

Senator WEST—So you think that ASIC actually provided you with more than just the surname and the initial?

Dr Browne—That is my understanding.

Senator WEST—I want to know how many of the 142,000-plus received a request that they should not have.

Dr Browne—I cannot answer that, Senator. The matching was done on the basis of the usual Centrelink datamatching criteria, which are that the name, date of birth and address matched exactly or two out of three matched, or a customer had an unusual name which matched exactly.

Senator WEST—So you went for a two out of three match as well?

Dr Browne—That is correct.

Senator WEST—Do you always go for a two out of three match when you are datamatching?

Dr Browne—The advice I have been given is that that is the way it is normally done.

Senator WEST—A 66 per cent chance you might be right: those are not particularly high odds, are they?

Mr Bashford—It is not a particularly relevant statistic, Senator. That is not the true statistic. I do not know what they are, but the odds of being correct when you are taking two out of three are much higher than that.

Senator WEST—Are you going to take on notice how many complaints you have had and how many people received information that they should not have?

Dr Browne—I can certainly take on notice the first. The answer to the second will not become clear until the responses come back from the customers in terms of whether they in fact do have involvement with a private trust or company.

Senator WEST—That leads me to the reason I am asking the questions, which is because the old 1800 number of mine works quite well. Somebody from way away from where my office is rang, very concerned that they had received all this information. They did not really understand what it meant and, when they rang Centrelink, they got an answer of, 'Oh, well, if you don't think it applies to you, don't do anything,' which I think we all sitting here would be most concerned about. It is an inappropriate reaction, because we all know what happens if you do not reply to a piece of Centrelink paper.

Dr Browne—Could I give you a little bit more information, Senator. When the packages were sent out, there was included an information booklet with the data collection mail-out, which contained three additional forms to deal with the sort of situation where the customer believes that they ought not to be caught up in this initiative. That gave customers the option to indicate that they were no longer involved in a private trust or company and had no knowledge of involvement.

Senator WEST—I know the forms. I have been onto the web site, and I only took half a tree off and not the six dozen trees that I could have taken if I had taken every piece of paper off. Those have all got to be back to you by 2 April. Is that correct?

Dr Browne—Three months was the time span and there was also a suggestion that people may like to get the assistance of a tax agent or an accountant if they were finding the complexity too great.

Senator WEST—The situation that I had involved someone who was doing something with her sister or for her sister some time ago and her sister had no involvement. This came like a bolt out of the blue and they wondered what the devil had been going on. She was not sure, from reading the huge amount of material that lobbed at her home, and then she got the advice ‘Don’t worry about it.’ I have corrected her advice but I am wondering how many others are going to be in that situation.

Ms Vardon—If she had said she had nothing to do with her sister any more, that might have been appropriate advice. We want our people to be very helpful. Depending on what she had said that might have been the right thing.

Senator WEST—No, it was not the right thing in this particular situation. While we are talking about this cross-matching of people, you said also that you went with unusual names.

Dr Browne—Yes, I did say that.

Senator WEST—Which is probably one of the reasons why one of the people that we have had contact us has done so, because it is a name of Millanta. This person has no involvement at all in any of these things, but obviously, because there was a Millanta in the ASIC lists, you picked it on the unusual name basis, which is concerning.

The other thing that arises from this is that they have to have the information back to Centrelink by 2 April 2001 but the clients are not going to be advised until December 2001 if there will be any change to their entitlements from 1 January 2002. That means that these people have eight months to sit and wonder what is going to happen to their entitlements. That is also an issue that is causing some people grave concern, because they do not know what is going to be the impact on their entitlements for next year until December of this year, when in fact they might well need to be making arrangements or seeking clarification of their financial and business interests now. Short notice of less than a month does not help people if they are planning on having to make changes to their financial status.

I do not have any problems with what the object of the legislation is, and that is to clamp down on avoidance and rorting of the system, but there are people who legitimately have a right to know, to be able to make business decisions before December of this year. Come December, half the accountants, for two weeks of the year, will have their offices closed because it is in the build-up to Christmas. That seems to me to be posing a very significant imposition upon these people, plus leaving them in a period of time of uncertainty.

Dr Browne—Senator, the work that will need to be done to analyse the returns from these 142,000 customers is in fact incredibly complex, so the thinking was to provide the maximum opportunity to deal with that very complex data in a considered manner and to get the estimates right so that there would not be any mistakes made. It is really a matter of complexity and having time to go through that complex information.

Senator WEST—At the end of your complex estimations are you leaving them adequate time for them to then be able to rectify, make changes or make sure that they actually have an income stream instead of not having an income stream, which is what is happening at present? I have grave doubts. If you are not notifying them until December, you are going to be placing them with equally as onerous a task to undertake, if they are going to be required to undertake some legal and accounting work.

Dr Browne—You mean to rearrange their trusts and accounts?

Senator WEST—To rearrange their trusts. I am not into trusts, Minister, and I do not have a clue how they work, but I would assume that it is something that you cannot fix up in a 48-hour period and that you would need to know what the impact of the Centrelink decision is going to be on you before you took appropriate action. If you took appropriate action, you could well be then changing the whole of the—

Senator Vanstone—I understand. Obviously, Centrelink will look at what you have said and may have something to come back with by way of a response on notice, but, just to hazard a view, people who have trusts and companies usually do not set them up themselves unless they themselves are lawyers or accountants. They do so with advice, and the same people who gave them the advice to set them up for the purposes they did, which may or may not have been to maximise their government payout, are lawyers and accountants, some of whom see it as their duty to advise people that they can do this.

Senator WEST—That is right.

Senator Vanstone—Those lawyers and accountants would be familiar with the legislation that has passed. They will know on the basis of the material set out what policy issue is being pursued and the good commercial lawyers would be by now, I would imagine, giving their clients appropriate advice at this point. It might be more convenient to know earlier, but I am not sure that it is absolutely necessary, because the legislation is there and people can make an assessment.

Can I make one more point. It is not the little old lady—

Senator WEST—I know who you are after, yes.

Senator Vanstone—who gets the odd-jobs man in to fix the toaster who you are talking about who has got a suite of companies and trusts.

Senator WEST—Yes, I know who you are after, and I would not—

Senator Vanstone—And you would be after them, too.

Senator WEST—Absolutely! Probably we could argue as to whether we should have been into them beforehand, but that is not the point. The ones I am concerned about—

Senator Vanstone—Oh, don't lead with your chin!

Senator WEST—Yes, I know, I know, Minister. We won't get into this!

Senator Vanstone—Okay.

Senator WEST—The ones I am concerned about are those who, like the little old man who fixes the toaster, like the constituent who rang me who had just acted as a company secretary for his sister a few years ago while she was doing contract work and getting money from several sources and had a company set up to do it and she was the company secretary and did not have a clue what she was doing, or why she was even doing it. Yes, I know, I raised my eyebrows too, but there are people out there who do that. It is those groups, it is the people who might be elderly who have a trust that was set up some considerable time ago, who are now bordering on dementia, or someone who might have in fact got into a very nasty divorce situation and left the marriage but is still stuck in some sort of partnership or trust—those situations where it is not easy. I guess it is your problem and I am asking you how you are going to solve the issue for those people.

Senator Vanstone—So what's the answer to that?

Ms Vardon—The most important thing is first to get it right. We do not want to give them wrong information. If you saw the decision point of this thing on the chart it is absolutely huge, the things that have to be cleared and checked for every single person. We have given ourselves some months to do this and get it right. We cannot do this job quickly.

Senator WEST—Yes, but you can see the group that I have concerns about.

Ms Vardon—Yes, I do understand that.

Senator WEST—I want to know: is there some way that some of these concerns that I have expressed can be addressed? I will leave it at that.

Senator Vanstone—We will think about that, but I would ask you to bear in mind at the same time that people who have got this information, which you say has startled them, are going to get advice on it.

Senator WEST—Well, I hope they are, yes.

Senator Vanstone—And if they are not the sort of person who knows now—‘Oh, I know what this is about. I need to go and shift this money or close the company and start up another one’ or whatever—then they are going to know they need help, and they know that now, and they will go and get it.

Senator WEST—I hope they do, because the couple that we have had have not, and that has been where there is this concern.

Senator Vanstone—I understand your concern, but I think the point would be a stronger one if Centrelink were writing in November saying, ‘Fill all this out and give it to us in December,’ and then they do not have time to get their advice. Now they have all that time to get it.

Senator WEST—If that were the case I would be having a real blue with you.

Ms Vardon—But in the meantime if people are concerned they could ring a complex assessment officer and talk to them.

Senator WEST—Yes. Okay, I will leave it there. Can I turn to mobile review teams. I asked a question on 22 November about the current staffing of MRTs by region. You said you were going to answer that. Did you, or not? I cannot remember.

Ms Vardon—We have certainly given you a lot of answers to your mobile review team questions.

Senator WEST—Thank you. How are the numbers going now? Has there been any rationalisation of these teams or any reviews?

Ms Vardon—I think I said at the last estimates that the mobile review teams, as a notion, were absorbed into a whole rethink of the way we did compliance, and we brought all the people who were involved in compliance into compliance teams and they had a choice about going out, if they chose, or doing work the other way. My memory of the briefing is that, as a result of that, we are getting more dollars returned for the dollars that we invest in staffing because of the new model that we have implemented. So the concept of a mobile review team has actually passed; we have moved on from that.

Senator WEST—Have staff numbers been reduced in these compliance teams when you add the differing groups together?

Ms Vardon—We seem to have an awful lot of compliance teams when I go around. We do not have the data for you. The compliance people have had the same kinds of reductions

across the board as others have in our organisation. I cannot give you the exact figures for that. But because of the new way they are doing business they are in fact much more efficient, much more effective.

Senator WEST—What has the reduction been?

Ms Vardon—We do not have a national database of compliance staff—is the answer.

Senator WEST—You have it region by region, do you?

Ms Vardon—Yes.

Senator WEST—Then maybe on notice you can give me the region-by-region compliance numbers, please.

Ms Vardon—We will.

Senator WEST—But there has been a reduction?

Ms Vardon—Over the last four years there has been a reduction of staff across all aspects of our work.

Senator WEST—Yes?

Ms Vardon—And the compliance people have shared the same reductions.

Senator WEST—What has happened in the Gold Coast region to the compliance staff numbers?

Mr Pacey—The question you are asking is somewhat complex. We have dedicated compliance units in each of the areas, but the compliance work is done in a variety of places which include some clustered compliance work and some which is done at the CSC level. To give you an overall picture of the number of people who are actually doing compliance on a day by day basis is somewhat complex. With regard to the Gold Coast, that area has received an increase in numbers in recent times because we have allocated some of the clustered work to that area, so they are actually—

Senator WEST—Sorry, you have what?

Mr Pacey—They have taken on some specialist tasks, some specialist compliance work in that area.

Senator WEST—Right.

Mr Pacey—So there was actually an increase in terms of those numbers. But, as Ms Vardon suggested, each area manager has been given the task of managing within a budget, and as those reductions have come in they have got to manage to continue the high levels of customer service and still achieve the benchmarks which are part of the KPIs that we have with the clients.

Senator WEST—Okay. Now, in the Gold Coast you had an increase for some specialist compliance work. Has that work been completed and you are actually now seeing a reduction in the number of staff there?

Mr Pacey—No, that work will continue at least until the end of the year. They are doing some additional work for us in the rent assistance matching. They also had a unit set up in Murwillumbah with regard to doing the accelerated claimant matching. That was transferred on a permanent basis. There has been an influx of work there. That is not to say that local management have not taken a decision on reallocating resources in the compliance units, given that they would still be attempting to meet all of their benchmarks.

Senator WEST—I would not have called Murwillumbah the Gold Coast but, anyway, what about Cairns and Townsville? What has happened to those two operations? Have they been rationalised and brought into just one?

Ms Vardon—I think we will have to ask our Central North Queensland people to answer that question for you. Every area has done it differently. Some have consolidated into one great big office that does all the compliance work. Others have put the compliance teams in one office to serve a cluster, and so on. We have to give you the specific answer for central North Queensland which would cover Cairns and Townsville, Senator.

Senator WEST—Thank you. How much use has been made of private investigators?

Mr Pacey—Senator, for the financial year 31 December 2000, 912 cases have been referred to the contracted surveillance providers.

Senator WEST—In other words, the private investigators.

Mr Pacey—Yes.

Senator WEST—Out of how many cases?

Mr Pacey—912 were referred and 1,005 have been finalised during that period, resulting in a reduction in payment to 677 cases, which is a success rate of 67.4 per cent. In 328 cases there was no incorrect payment identified. The annual saving—

Senator WEST—That goes back to about 67 per cent—back to about our breaching numbers, too, does it not?

Ms Vardon—That is your conclusion, Senator. It is a long shot, but it is your conclusion.

Senator WEST—That is about 65 or 70 per cent in both of them; or 67 per cent to 70 per cent get pinged no matter what happens. Yes, sorry, 328 were no case.

Mr Pacey—Yes, I have a little bit more information, Senator: the annual savings to the future program outlays, as a result of cancellations and reductions, total \$4,227,000 and debts of around \$3,017,000 have been identified from recovery action.

Senator WEST—You will recover the \$3 million. How much have those private investigators cost?

Mr Pacey—We provided a figure for the previous year. I do not have the figure for this year with me. I could certainly get it for you.

Senator WEST—Take that on notice then, please, and the number of PIs involved.

Mr Pacey—During 1999-2000 Centrelink paid \$820,778 for surveillance services.

Senator WEST—That was for what year?

Mr Pacey—That was 1999-2000.

Senator WEST—For private investigators, okay. Can you provide full details of equivalent full-time staff employed in fraud and compliance, region by region and year by year since 1995, by job description, please.

Ms Vardon—It might be hard.

Senator WEST—See what you can do.

Ms Vardon—We will give it our best shot, Senator.

Senator WEST—Some of that might go back to pre-Centrelink days.

Ms Vardon—Yes, and it is a question about how we collected the data. As you know, Senator, we will see what we can do.

Senator WEST—The key thing is the equivalent full-time staff.

Ms Vardon—Would you like to share the point of it? Is there some connection between the private surveillance and—

Senator WEST—This one is all staff. I have moved the next step on from private investigators—equivalent full-time staff. You can tell me you have 600 staff doing something but if they are all working only half time you have actually only got the equivalent of 300. I am wanting to know the equivalent full time and there needs to be a separate list there also for the private investigators. I am trying to get some idea of what compliance costs have been, the number of people employed on it. There is a lot of talk about cutting back on overpayments and breaching people, but I am wanting to look at how many people are actually being employed in the compliance area to undertake that, because if you are spending a million dollars to get \$900,000 back one has to wonder about efficiencies.

Ms Vardon—There is no such figure. We are getting \$1 for \$6 with our own staff and almost the same—\$1 for \$7—with the private surveillance people.

Senator WEST—You are getting \$6 back for every \$1 it costs you?

Ms Vardon—Yes, with our own staff.

Senator WEST—So it is \$6 back for every \$1 it costs you?

Ms Vardon—Yes.

Senator WEST—And \$7 back for every \$1?

Ms Vardon—Yes, though of course they are different target groups, as you understand. The private surveillance people are on the cases which are extremely difficult for us to prove, where we never had the skills, nor did Social Security have the skills, to investigate to the extent that private people can. We were never prepared to invest in thousands of dollars of surveillance cameras and so on for our own staff. It is a new target in a sense. It is a new customer group.

Senator WEST—Yes, but as I say, I would like the full-time equivalents both for your staff and for the private staff.

Ms Vardon—You will get them, to the best that we can.

Senator WEST—I think that might just about pull me up.

Senator DENMAN—I have just a couple of quick questions on waiting times for Centrelink clients on phones.

Ms Vardon—Yes.

Senator DENMAN—I have had some complaints. Fortunately or unfortunately, I have a public phone booth outside my office. They storm into me when they have to wait more than 30 minutes. It causes problems for those people who are also waiting to use the phone. How are you addressing that?

Ms Vardon—Senator, there is no doubt that there has been an increase recently in the wait time people have had, which does not please us, and we have—

Senator DENMAN—No, it does not please me, either.

Ms Vardon—just only yesterday authorised more resources to go into solving it. There are three reasons for this happening. Christine Hagan is going to tell you what they are.

Senator DENMAN—Thank you. We have had this discussion before, I think, and if the high ethnic area is one of them, then that is not so in my electorate.

Ms Hagan—If the high, sorry?

Senator DENMAN—If one is a high incidence of people from ethnic backgrounds, that is not so where I am.

Ms Vardon—That is not the issue, Senator.

Ms Hagan—No. The Centrelink call has been travelling quite well for the last 12 months and probably the number of customers using the phone has increased quite markedly, but what has been happening over the last two months or three months is that the forecast call load is about the same as what we had anticipated, but the length of the calls have really blown out. We are talking about a 30 per cent increase in the amount of time a call is taking. That is for a number of reasons. Firstly, we are encouraging our staff on the telephone to resolve the customer's query the first time they ring, rather than having to ring back other times or go into a customer service centre. We are checking all the financial details and so on for all customers as they are ringing, to make sure that our records are up to date with great emphasis on accuracy and getting it right. It is about quality in the phone call, but what has happened is that it has extended our phone time. We have done a lot of analysis about what is happening and it looks as though it is a long-term trend, so we have just increased our staffing levels. We just agreed yesterday to increase our staffing levels by another 350, which is slightly more than 10 per cent of the existing staff numbers.

Senator DENMAN—Thank you. Are these waiting periods specific to certain areas?

Ms Hagan—No, because it is a national network the customer rings wherever in Australia and the wait times—they are directed as much as possible to their local call centre, but it could go to the next available operator.

Senator DENMAN—So you are addressing it.

Ms Hagan—Yes.

Senator DENMAN—Good, thank you.

Senator WEST—In the last budget there was a measure announced to conduct a multimedia campaign to improve compliance. As I understand it that campaign has not yet started.

Ms Vardon—Family and Community Services, Senator.

Senator WEST—Is there any involvement with Centrelink in this campaign, by Centrelink, from Centrelink, with Centrelink?

Ms Raymond—Yes, the media campaign was announced in the last budget. We are in the process of planning it at the moment and we are working very closely with a range of Centrelink staff. They are involved in the stakeholders group and a steering committee to plan the campaign.

Senator WEST—That is what I was wanting to know—what Centrelink's involvement was. What is the rationale for the timing for the second half of this year?

Ms Raymond—The timing was set because we wanted to undertake some research into factors affecting voluntary compliance, and I mentioned that particular survey at the last

Senate estimates, Senator. We are getting the results of that survey now. We have interviewed about 1,000 customers to find out why some comply with notification provisions and why some do not, and we think that is going to be very valuable research when we pitch the message for the media campaign.

Senator WEST—Has this been done by a consultant?

Ms Raymond—The research that has been undertaken so far has been done by AC Nielsen.

Senator WEST—How was that tender let?

Ms Raymond—We went out to open tender and we had five or six respondents.

Senator WEST—AC Nielsen were engaged because they were the best tender?

Ms Raymond—Yes, for value for money.

Senator WEST—What is the total campaign budget? Will there be outyears to this budget?

Ms Raymond—Yes, that is right. The majority of the money will be spent in the next financial year. I do have the detail here. The total cost of the campaign is \$9.3 million over a three-year period, I think it is, and there is a small amount of money being spent this year to set it up. The majority will be in the next financial year when we engage the consultants to undertake the campaign.

Senator WEST—When do you expect the campaign to be under way?

Ms Raymond—We have two time frames. The first campaign will be during August and the second campaign will be during February the following year.

Senator WEST—That is August 2001 and February 2002. I get a bit twitchy about campaigns in August.

Ms Raymond—We have just undertaken a risk assessment on difficulties that might be associated with those campaigns. We are very aware that it is a large campaign and there could be some risks associated with it. Timing is one of the issues that we will be looking at and will be discussing with our minister.

Senator WEST—I am talking about an event that is likely to happen later this year—an election.

Senator Vanstone—Senator, you are not assuming that this government will behave in the same way as a government of your persuasion!

Senator WEST—I have a recollection of 1998, Senator.

Senator Vanstone—Do not judge others by your own standards!

Senator WEST—Minister, I have a recollection of 1998. I would not talk about anything beyond—

Senator Vanstone—I am sorry, I thought you were thinking of Working Nation, where you subcontracted it out so that an estimates committee could never find out how much you paid that bloke who did the Labor ads for nothing—because he was paid through Working Nation.

Senator WEST—Minister—

Senator Vanstone—We could not find out. It was not commercial-in-confidence—you subcontracted it out, and the subcontractor is not answerable to parliament. In a legal sense, I thought it was quite a deft task of yours, but that is what you did.

Senator WEST—Senator Lundy is very pleased you mentioned that. I am talking in terms of 1998.

Senator LUNDY—We will have a discussion shortly about commercial-in-confidence.

Senator Vanstone—I understand the issues of commercial-in-confidence very well. I was fascinated that Senator West would raise this, because such a truckload of Working Nation money was poured into advertisements.

Senator WEST—Minister, in fact—

Senator Vanstone—Priority One—remember that? The cartoon with Bob Hawke with a rasp—the youth of Australia, Priority Two, ‘Don’t call us, we’ll call you.’ I remember all of that.

Senator WEST—Could I actually ask a question, Minister, instead of a diatribe at me?

CHAIR—Can we focus not on 1998, Senator West.

Senator Vanstone—Sorry, it just pressed a button there. People have not forgotten what was done in the past.

Senator WEST—I remember a multimillion dollar fraud campaign in 1998. I want to know how this project is going to be managed.

Senator Vanstone—Carefully.

Ms Raymond—I have overall responsibility for the particular budget initiative. As I said, the project is being managed by a steering committee which is made up of representatives from the relevant areas in FACS and in Centrelink.

Senator WEST—What other agencies or departments are involved?

Ms Raymond—We are consulting with the Government Communications Unit—GCU—within PM&C on a regular basis. Of course, it will have to go to the Ministerial Committee on Government Communications.

Senator WEST—It will go to the ministerial committee?

Ms Raymond—Yes.

Senator WEST—Is it just GCU from PM&C that is involved?

Ms Raymond—At the moment, yes.

Senator WEST—Is it anticipated that there will be others from PM&C?

Ms Raymond—Not planned at this stage, Senator, no.

Senator WEST—No-one from the Prime Minister’s office is involved?

Ms Raymond—No.

Senator WEST—A person called John Perron is not involved?

Ms Raymond—No, Senator.

Senator WEST—What media will be used to communicate the messages of the campaign?

Ms Raymond—We have been advised by consultants that the most effective way for reaching the target population will be television ads, so that is why it is an expensive campaign. We are aiming at basically customer groups who are working, the Youth Allowance group and the Newstart population, but we are expecting to target the message to sole parents as well as disability support pensioners. The aim of the message is for those who are working. The message is, 'Do the right thing. Notify Centrelink of changes in circumstances and minimise your debts.'

Senator WEST—How many consultants have been involved in this program to date?

Ms Raymond—We have not engaged any consultants yet. We are at the planning stage to—

Senator WEST—Hang on. You have just told me that consultants have told you that TV ads are the best way to go.

Ms Raymond—Sorry. This was before we put the proposal into the budget context. We had advice from our media consultants that it would be better, if we wanted to target this population. It really was informal advice that our media people obtained.

Senator WEST—Who provided that advice to your media consultants?

Ms Raymond—I am sorry, I do not have that information, but I can supply it to you.

Senator WEST—I want to know how many different sets of consultants have been engaged or involved in this, and it would appear to me that there is another one there.

Ms Raymond—Certainly, but this was before the decision was made. I can provide you with that information.

Senator WEST—I want to know from the very beginning of this program, when it was an embryo in somebody's little mind, how many private consultants have been engaged, who they are, how they were selected, and the amount of money that they have been paid.

Ms Raymond—Senator, at this stage, apart from that informal advice, no consultants have been engaged for the media campaign. We are at the stage of going out to engage them now.

Senator WEST—Can you run me through the initial funding in the PBS? I have not got time to find it.

Ms Raymond—It is page 166.

Senator WEST—The big spending is going to be in the year 2002-2003. Is that correct?

Ms Raymond—No, it is 2001-2002 under 'Departmental expenditure'. That is the cost of the two campaigns, one in August and one in February.

Senator WEST—It was always planned to do it in August and February, was it?

Ms Raymond—Yes, Senator.

Senator WEST—Why were those months chosen?

Ms Raymond—Basically it was dependent on the publicity that was being undertaken by the government elsewhere. We had to avoid the implementation of the GST, so it was advice provided I think via the MCGC program.

Senator WEST—MCGC?

Ms Raymond—Sorry, the Ministerial Committee for Government Communication. They have a program of publicity and we looked at that, plus the other publicity strategies that

FACS and Centrelink had planned over the next 12 months or so. Those were the times that seemed to be most appropriate.

Senator WEST—You have had the market research done on the target group and what the campaign is going to look like. Isn't it normal, when you get the research, that the campaign is devised and produced rather quickly?

Ms Raymond—We were undertaking the research for our compliance policy purposes anyway. We thought it would be extremely useful for targeting the message. We have got, in terms of the planned project for the media campaign, some further market research to be undertaken for the various target groups. That is a normal part of the—

Senator WEST—What further research has to be undertaken?

Ms Raymond—I understand there will be focus groups to make sure that the message that is developed is the appropriate message; that it is having the right impact on the various customer groups.

Senator WEST—When did AC Nielsen complete their research?

Ms Raymond—AC Nielsen are still compiling the results. It is virtually still in progress.

Senator WEST—So they haven't completed their research yet?

Ms Raymond—No. They have completed the interviews.

Senator WEST—But they haven't completed the—

Ms Raymond—And that research was not funded out of this initiative. It was funded internally by FACS out of research money.

Senator WEST—Why wasn't it funded out of this initiative? It could be used for this initiative.

Ms Raymond—It was a piece of research that was being undertaken and had been planned to be undertaken to report—

Senator WEST—Anyway.

Ms Raymond—Yes, anyway. When we proposed the budget initiative we decided that that research that was going to be undertaken would be very useful for this initiative.

Senator WEST—We can wait for August. Is there any reason why it can't be brought forward earlier than that? If this is going to save money I would have thought that you would have been in a hurry to get a program out there that was going to look at saving money.

Ms Raymond—Hopefully it will save money whenever it is conducted.

Senator WEST—Only hopefully?

Ms Raymond—That is certainly what we have estimated; that it will save money. In terms of what has to be done in the development of this particular campaign, bringing it forward would be very tricky.

Senator WEST—Given that the minister's ministerial council has set that timetable.

Ms Raymond—It seemed to be the most appropriate timing, yes, in terms of other campaigns that were going on.

Senator WEST—I cannot possibly ask a public servant what a ministerial council thinks! It is not an appropriate question to be asked of any public servant.

Senator Vanstone—You can ask it but if they are not on the council they wouldn't be able to answer, would they?

Senator WEST—No, Minister, I would not even think of asking a public servant—

Senator Vanstone—I am sure somebody knows why that thing was subcontracted to give that man all that money and then do the Labor ads for nothing!

Senator WEST—Well, Minister—

Senator Vanstone—But I do not think that person is ever going to come before an estimates committee.

Senator WEST—Senator Lundy might like to pursue you now with some interesting issues.

CHAIR—Are you wishing to go on to IT now, Senator Lundy?

Senator LUNDY—Yes, thank you.

[4:18 p.m.]

CHAIR—Thank you to the officers from Centrelink. May I now have to the table those who think they are attached to IT with Centrelink and FACS. Please proceed, Senator.

Senator LUNDY—On 31 January this year Centrelink put out a statement that reflected on both FACS's and Centrelink's decision post the government response to the independent Humphry review. I want to hear from both Centrelink and FACS about what processes you have put in place following your response to the Humphry review. For the committee's benefit, the public statement stated that:

The Centrelink board has commissioned a strategic sourcing assessment to determine how Centrelink will implement the government's IT&T infrastructure outsourcing policy.

And FACS has decided to issue a new request for tender to the market for its specific IT infrastructure needs. I am really wanting to hear, from both Centrelink and FACS, a general response to the Humphry review but also what action you have taken down the path that was described in that public statement.

Dr Rosalky—Senator, when the government made a decision in respect of the recommendations of the Humphry review that meant that the environment for us to pursue IT outsourcing had changed in some significant ways. For FACS a very significant factor was that our cluster arrangement with Centrelink was no longer mandatory. That always had represented to us an operational risk that was prominent in our assessments. Given that there would be the prospect of a joint contract, all we had to do was look after our own ability to maintain operational activity.

Because of that factor, plus the extra material that Humphry had raised in respect of having to look at the risk or implementation, we made a decision as a department on the grounds of assessment of a range of options in front of us and on the basis of legal advice that the best result for the Commonwealth in respect of FACS's IT outsourcing would be to release a new request for tender as quickly as we reasonably could to the former. That is what we are proposing to do and what was announced in that statement.

Senator LUNDY—What stage are you at down that course of action?

Dr Rosalky—We are preparing a new RFT and consulting with relevant government agencies about some of the factors that we need to take into account in respect of proceeding with a new RFT such as industry development.

Senator LUNDY—All right. I will come back to that.

Ms Vardon—For Centrelink, as you know, the board made a decision to seek a strategic statement really from our chief information officer of how we should proceed, and was very keen to implement the government's outsourcing policy. But we wanted to think differently about IT and how we might bundle it up rather than put it all together as one big contract. We saw more value over time, especially in relation to flexibility, in having a look at it in tranches, for want of a better word. The tranches would not necessarily be about the hardware or the infrastructure but they in fact may well be in an enter-in process in some instances.

So Jane Treadwell, our chief information officer and her IT team are looking back into our system to see how it can be bundled in a better way. The first priority of course is to maintain the status quo. We have had some short-term contracts and because of the outsourcing they have to be renewed in line with government policy, so our first priority is to make sure that the status quo, which is extremely important—a daily miracle that is performed by our IT systems—have some guarantee, some longer life than a few more months. That will be the platform level No. 1. So the board in the next short while—the board has not said when but we certainly did not mean it to be into the never-never but something in the next few months—will consider a variety of packages.

Senator LUNDY—Perhaps if I could go into a little more detail with Centrelink first. You mentioned maintaining the status quo. To what degree were your IT procurements hampered in the lead-up to the evaluation of tenders under the group 1 bid? Did OASITO determine that you were not allowed to expend any money in that area? Do you see where I am heading?

Ms Vardon—I understand what you mean. We can answer that. I am sure that either of the two people on my left can answer that. We certainly had some limits put on us in terms of the length of contracts that we could negotiate, and that restriction having been taken off us, we can negotiate for longer contracts. I think that is probably the main constraint.

Senator LUNDY—For how long had that constraint been in place?

Mr Goldstein—About three years.

Senator LUNDY—So any procurement with respect to IT services or products: can you give me a description of what process you had to engage in to extend those contracts to take new IT contracts? Was that in fact your decision or was it someone else's decision, that is, Finance or OASITO?

Mr Goldstein—Under instructions that were for all agencies, where you had to buy anything that would significantly impact on your infrastructure, you needed to advise OASITO and seek their agreement. What you did was you put forward a case of why you needed to do something and then they would come back to you with an answer on it. In most cases what they were trying to do was to make sure you did not significantly extend something that—an outsourcer may actually use something different, another type of software, another type of hardware.

Senator LUNDY—You say that you were given instructions. Are you able to provide the committee with those instructions?

Mr Goldstein—There was an estimates memorandum that was sent to all agencies back in about 1997 or 98, somewhere around there.

Senator LUNDY—If you could provide that to the committee and also the subsequent instructions that you have received from any ministerial office or indeed departmental source about what your role was and what the rules were with respect to IT&T procurement in that

preparation stage for IT outsourcing. Obviously there were considerable delays from the original timetable scheduled for the group 1 bid. I guess I am looking for confirmation here. For three years you were required to effectively get authorisation from OASITO for any IT&T procurement for products and services. Is that right?

Mr Goldstein—There were some things that we did not that did not significantly impact on our infrastructure. We would not have done that. Being a large organisation we would probably buy every day and they recognise that. But it was things where we were making a significant purchase?

Senator LUNDY—Did you make any significant purchases during that period?

Mr Goldstein—Yes, we did right through the process. We had to. We upgraded servers and routers and we upgraded mainframes, but it was all stuff that really was operated out of demand and that was recognised.

Senator LUNDY—Were you ever not granted permission to make an acquisition?

Mr Goldstein—I cannot recall ever not being granted permission. There were certainly restrictions in terms of how long we might sign a contract for.

Senator LUNDY—What sort of restrictions?

Mr Goldstein—We may have been restricted to, say, two years rather than you might have wanted to go. You might have wanted to go for three years or four years, something like that.

Senator LUNDY—You were prevented from doing that?

Mr Goldstein—They certainly were saying to us that we should not go for longer than the period of time they would determine—which they believed the outsourcing would take place in.

Senator LUNDY—So they did restrict it? Who won that argument: you or them?

Mr Goldstein—We worked on a cooperative basis.

Senator LUNDY—What does that mean?

Mr Goldstein—We worked it out between us.

Senator LUNDY—So you compromised on the terms of those contracts.

Mr Goldstein—In some cases.

Senator LUNDY—You got your way in others and they got their way in others.

Mr Goldstein—I have never added it up that way.

Senator LUNDY—I do not know whether you were highly successful or highly unsuccessful. If you could take on notice providing us with the detail of those circumstances and the nature of the exchange in correspondence with OASITO regarding those matters.

Ms Vardon—That is a big question, Senator. Do you want to be a bit more specific? There are four years of correspondence which fit into that.

Senator LUNDY—What I am looking for, Ms Vardon, is more process rather than actual substance of those exchanges. So if you determined you needed to procure, for example, some hardware, in what way do you seek permission from OASITO? What is the time frame for response? What is the nature of the negotiation that took place? What is the approval process that they engage in, and what I am particularly interested in is how long that took, and how much did that add to your ability to procure services?

Ms Vardon—If we gave that to you in general terms rather than every single instance? I mean we are huge. So every day—sometimes it is a phone call—it would be: ‘We want to go and buy that? Is that all right?’; ‘Yes, that is under the limit’ or ‘No, that’s not under the limit; you had better not; or ‘Yes, that sounds reasonable’ or ‘That’s not. Come back. We want a written request.’ So there was a bit of argy-bargy about it, depending on the nature, the size of the business and so on.

Mr Goldstein—Quite often it was variable.

Senator LUNDY—Really?

Mr Goldstein—Yes.

Senator LUNDY—This is after the issued some instructions as to the nature of the relationship—you were required to even verbally make a call. What if you didn’t make the call?

Mr Goldstein—I do not know.

Senator LUNDY—You just purchase something?

Mr Goldstein—Sorry?

Senator LUNDY—It is a hypothetical question.

Ms Vardon—We have got public servants, Senator.

Senator LUNDY—Yes, thank you. Perhaps if you could just describe in general the various processes. You say there were some verbal and there were some informal.

Ms Vardon—Yes, we could give you a description of the process which describe the variations: under what circumstances; where do we ring; under what circumstances; did we send a letter; and so on.

Senator LUNDY—Could you give me at least one example of a written exchange with OASITO of that circumstance that is at least reasonably indicative of the process you were required to engage in , too, with OASITO?

Ms Vardon—Yes.

Senator LUNDY—Thank you. On this issue you mentioned of maintaining the status quo, when you are at a point where you needed to urgently address the status of your current contracts to sustain your operations in the way that you are currently performing—

Ms Vardon—I am not sure that the deadline date had arrived. If we had not had some resolution, because we had geared everything to be at the end of this year and most of our contracts had to be revived at the end of the year, if something had not happened by October-November and we had not been able to renew contracts, we would have been in trouble, but we were not at that stage of crisis. But now we are here, we have time, and we need to re-establish a base. But it is not gravely at risk at this point.

Senator LUNDY—You mentioned looking at the tranches as a way of potentially dealing with your procurement requirements and needs in IT&T.

Ms Vardon—Yes.

Senator LUNDY—Can you expand a little on your thinking? Obviously that is a significant departure to a whole of government approach to outsourcing, so I guess I am looking for an expansion on what you mean by tranches and what types of models you are now considering.

Ms Vardon—Perhaps we could ask the chief information officer. It is a bit early yet, and I would not want everyone to know, and we have to talk the details of this through, but perhaps in general terms Ms Treadwell could tell you what she is thinking.

Ms Treadwell—What we are expecting to do in terms of scope for the strategic sourcing assessment is to actually go beyond the platforms of the previous model in terms of a single sourcing arrangement and to look at a services framework from end to end in terms of what infrastructure and any related services might be able to be provided to the organisation. That would gear us for looking at a selective sourcing model rather than a single sourcing model, so that we would look to the market for evidence of capability in particular areas rather than a universal approach.

Senator LUNDY—I do not know if you mentioned legacy systems, but how will that relate to your existing legacy systems and databases within Centrelink?

Ms Treadwell—The framework that we need to look at is looking at all the IT from a strategic perspective and, within that, what elements are critical to Centrelink, and legacy or heritage systems are critical to Centrelink's day-to-day operations. I suspect the board will expect to see a risk analysis of the elements of that overall framework, as to what stays within Centrelink and what can be put to the market.

Senator LUNDY—What is the timing for this process? Ms Vardon mentioned that board meetings are obviously going to be considering these matters coming up.

Ms Treadwell—I think in terms of the point the CEO made in regard to contracts that are approaching an end, there are particular issues that we have to contemplate in terms of making sure that the day-to-day business continues. The board expects an action plan to be presented at their next meeting in terms of how we proceed with the sourcing assessment.

Senator LUNDY—When is the next meeting?

Ms Treadwell—That will be in March.

Senator LUNDY—Notwithstanding that, has Centrelink identified any broad time frames for implementation of a strategic sourcing model, whatever shape it may take?

Ms Treadwell—I think there are those elements that we will go out with for the contracts that are pressing, but in terms of the more strategic issues, that has to align with the internal business planning model and the IT strategy that supports that. We would expect that to be in some shape within the next three to four months.

Senator LUNDY—Did Centrelink concur with the conclusion of the Humphry report that the risk was obviously too great to proceed in the previous form?

Ms Vardon—The board of Centrelink certainly made that conclusion.

Senator LUNDY—I have not checked on the reference today, but did Centrelink make a formal submission to the Humphry review?

Ms Vardon—No.

Senator LUNDY—Did it make an informal submission?

Ms Vardon—We spoke with Mr Humphry at his request.

Senator LUNDY—Right, so you had a meeting with him?

Ms Vardon—Yes.

Senator LUNDY—Who else was at that meeting?

Ms Vardon—We were there, and Mr Humphry had an assistant from the Department of Finance, Ian McShane—there must have been four of us—Philip Prior.

Senator LUNDY—Thank you. I would like to work through some of the processes that you were engaged in prior to the Humphry review, both in terms of evaluation committees, steering committees and options committees. Can you tell me, I guess for the record as much as anything else, what was the stage that you reached prior to the Humphry review being handed down?

Mr Goldstein—We were still going through the evaluation process. Certainly in relation to Centrelink that was as far as we got. We had gone out for clarification, we had put out quite a number of questions, and received responses to those, and that is where we stopped.

Senator LUNDY—So had the evaluation committee prepared any recommendations for the steering committee at that point?

Mr Goldstein—Only in relation to moving to negotiations.

Senator LUNDY—I just want to be very clear on this. Can you tell me the structure of your evaluation committee for group 1?

Mr Goldstein—It was chaired by a member of OASITO and then Centrelink had a person on it, FACS had a person on it, and I think that may have been it, but I would have to check that. I was not actually on it.

Senator LUNDY—Who was on it from Centrelink?

Mr Goldstein—Ian McShane.

Senator LUNDY—And who was on it from FACS?

Mr Mee—Tony Mee—me.

Senator LUNDY—Thank you. Other agencies have described a process of having a financial evaluation committee, a legal subcommittee and a technical subcommittee. Was that the same structure of this evaluation committee?

Mr Goldstein—No.

Senator LUNDY—Can you describe the structure of the various subgroups that existed within this evaluation committee?

Mr Goldstein—The only thing related to that was, we had a finance group for Centrelink and a finance group for FACS and a technical group for Centrelink and a technical group for FACS and a corporate group for Centrelink and a corporate group for FACS.

Senator LUNDY—So those six subgroups fed information into the evaluation committee?

Mr Goldstein—That is correct.

Senator LUNDY—Had they provided any information to the evaluation committee?

Mr Goldstein—Yes, they did.

Senator LUNDY—Had they arranged that information in any way?

Mr Goldstein—Not to my knowledge.

Senator LUNDY—In terms of assessing the bids?

Mr Goldstein—No.

Senator LUNDY—Can you describe the nature of those reports to the evaluation committee? Were there written reports?

Mr Goldstein—There was a sign-off by the various teams to the evaluation committee about moving to the negotiation stage. I would have to check with Tony, but to my knowledge that was the only one that was put through the evaluation committee—the only sort of sign-off, or any documentation that went through.

Senator LUNDY—Which one, sorry?

Mr Goldstein—This was the sign-off from those six team leaders that we should move to the negotiation stage of the evaluation process.

Senator LUNDY—So they provided enough evaluation material for you to start negotiating; so you have, essentially, an evaluation report.

Mr Goldstein—I think it was more about whether or not we believed that there were viable bids. The reason you moved to the negotiation stage was so that you could take on new information. At the clarification stage you are restricted to dealing with the information provided in the original tenders and whatever came in through the clarification stage—and even then you cannot take account of new information, only clarification. If you can move to the negotiation stage, if you want new material there is a mechanism to do that, in fact, as well as to move on eventually and negotiate the deal.

Senator LUNDY—Who was managing that whole process of what you could and could not use in your evaluations?

Mr Goldstein—The office of asset sales.

Senator LUNDY—That was their structure and you had to work within that.

Mr Goldstein—Yes.

Senator LUNDY—When did you sign off on the clarification stage?

Mr Goldstein—I cannot recall the date. I would have to take that on notice, unless someone else has the date.

Senator LUNDY—If you could. I am curious. I am just making sure I heard you correctly: up until that signing off of the clarification stage, you were able to request information from the tenders?

Mr Goldstein—You could only seek clarification of material they had already provided. For instance, if you were not happy with some technical aspect and you wanted to go back to them and say, 'We don't like that. What we would like is X, Y and Z,' you could not do that until you actually reached the negotiation stage.

Senator LUNDY—Why not?

Mr Goldstein—Because you are not allowed to, under the way the process works. You would have to be in a position where you believe you have a viable bid and then you move on to that negotiation stage where you are negotiating not only price but also the actual technical solution and the business arrangements.

Senator LUNDY—Is that a standard thing?

Mr Goldstein—It is a fairly common thing under the way the Commonwealth does its purchasing.

Senator LUNDY—Right.

Mr Goldstein—It is not uncommon.

Senator LUNDY—So then post that sign-off of the clarification stage, those six working groups go back again—what process do they then have to go through to lead to a sign-off on the negotiation?

Mr Goldstein—At the completion of the negotiation?

Senator LUNDY—No, at the sign-off, to allow the evaluation committee to begin negotiating.

Mr Goldstein—They basically make an assessment whether the bids are viable on the information that is in front of them. That is what they really assess.

Senator LUNDY—Are you saying that they had made that assessment and that it had been submitted to the evaluation committee?

Mr Goldstein—Yes.

Senator LUNDY—Had the evaluation committee signed off on negotiation?

Mr Goldstein—Yes, they had agreed that—

Senator LUNDY—And had they begun negotiations?

Mr Goldstein—Only in the case of FACS. Centrelink did not actually commence because OASITO suspended negotiations due to the Humphry review taking place.

Senator LUNDY—Did that coincide with the public announcement of the launch of the Humphry review?

Mr Goldstein—Did what coincide?

Senator LUNDY—That cooling off of negotiations?

Mr Goldstein—My recollection is that in the case of Centrelink we did not actually get to negotiations because OASITO called them off after the Humphry review. Yes, that is true; they deferred until the Humphry review was complete.

Ms Vardon—They did not call them off. That is the point.

Mr Goldstein—No.

Senator LUNDY—They deferred them. Can you describe the FACS situation, given that you are obviously into a negotiation process?

Dr Rosalky—At the time OASITO wrote to the tenderers to say that they were suspending processes pending the Humphry review, we had made arrangements for our first engagement for negotiation and it was important to keep faith with the tenderers. So we went through that meeting, but we did not go beyond what we had agreed with them to do, and then we said we would also be in suspension until 31 January.

Senator LUNDY—What date did that meeting take place?

Dr Rosalky—We do not have it exactly, Senator, but Mr Mee's recollection is that it was mid to late December, but it had been scheduled.

Senator LUNDY—But the Humphry review had already been announced and you just maintained that meeting in good faith.

Dr Rosalky—Yes.

Senator LUNDY—I am presuming OASITO was present at that meeting.

Dr Rosalky—Yes.

Senator LUNDY—Could you provide me with a minute or minutes of that meeting?

Dr Rosalky—I think, if any records of meetings were kept, they were kept by OASITO.

Mr Mee—OASITO would have managed that process. So if there were any, they would have them.

Senator LUNDY—But given the interests of your department were really on the table, surely you would have kept some record of the meeting yourselves or have been provided with a record of the minutes of that meeting.

Mr Mee—I do not think we have minutes per se. We would have some record of the meeting having taken place.

Senator LUNDY—I am sorry?

Mr Mee—We would not have minutes of that as such but we would probably have a record of that meeting having taken place.

Senator LUNDY—Could you provide me with whatever records you have of that meeting, including who attended and the agenda and whatever you have.

Dr Rosalky—Senator, we will have to take advice that anything we provide of that nature does not violate or expose the Commonwealth to legal risk or potentially violate probity for any future tender arrangements. That is going to be a problem for us in terms of any information that might relate to a tender. I think you were just asking for who was present and probably that—

Senator LUNDY—Yes. I have asked for the records of the meeting. I do not accept any perceived risk by you or a third party of exposure of the Commonwealth as a reason not to provide this committee with information. If you choose to refuse to provide that information, I suggest you consider the basis upon which you are doing so very seriously and on what grounds you are claiming any confidentiality.

Dr Rosalky—I certainly would prefer to be able to take advice.

Senator LUNDY—I draw it to your attention because it is a serious issue in which we are engaged in other committees—the extent to which we have the ability to access information; notwithstanding you can still identify to the committee areas of that information which you believe are deserving of being considered in camera. I suggest that you pursue those paths where you think they are appropriate.

ACTING CHAIR—Senator, I am sure the department will take advice on the nature of the information that is supplied to this committee. I think you have made your point.

Senator LUNDY—I am being very specific about it, Senator Tchen, for a very specific reason.

ACTING CHAIR—Yes, I am sure the point is taken.

Senator LUNDY—In terms of the timing of that meeting—at that point obviously the public statement had not been made, the inquiry had not been completed—was that meeting, in your view, conducted with the view that there would be a resumption of business as usual in terms of the Group 1 contract?

Dr Rosalky—We were quite uncertain as to what would be the next step, so it really was a suspension. Obviously we would have to make decisions on how to proceed once we knew the outcome of the government's position.

Senator LUNDY—Was that position shared by OASITO at that meeting?

Dr Rosalky—We were just anticipating—

Senator LUNDY—That uncertainty.

Dr Rosalky—I was not there, so I cannot say.

Senator LUNDY—I am sorry.

Mr Mee—I think the meeting was a bit more mechanical than that. I do not know that there was a lot of discussion about uncertainties or what could happen.

Senator LUNDY—Did OASITO give any indication that they had an expectation that the Group 1 contract would continue at that meeting?

Mr Mee—I would have thought that from an OASITO perspective, because there was a suspension pending the Humphry report, there would be some way to go forward, yes.

Dr Rosalky—I think the neutral assumption everybody had to make was that, until there was a decision, we were continuing with the process. That was part of keeping faith.

Senator LUNDY—For Centrelink, who was the member—was it you, Ms Treadwell—on the evaluation committee for Group 1?

Ms Treadwell—No.

Mr Goldstein—It was Ian McShane.

Senator LUNDY—What I would like to request from both FACS and Centrelink is copies of any evaluation documentation that was prepared by any of the six working groups for either department and, indeed, any evaluation documentation that was considered or produced by the evaluation committee.

Ms Vardon—We would certainly have to take advice, Senator. I hear what you said before. We would certainly take advice.

Senator LUNDY—I do not need to repeat it, then. Thank you. In terms of costs to both FACS and Centrelink of this whole process—I think we have discussed this previously—have you been able to put a figure on the cost to the department for engaging in the process up to the point at which the Humphry review hit the deck?

Mr Goldstein—We have a figure to 30 June last and that is about \$4 million over the three and a bit years. The estimate would be probably about another \$1 million on top of that up to now, but we have not done an accurate calculation of that because we are still just cleaning up.

Senator LUNDY—You are getting an accurate figure on that, are you?

Mr Goldstein—Certainly we will get a more accurate figure than that.

Senator LUNDY—Can you give me a full breakdown of what that amount—it could be up to \$5 million—was spent on in terms of human resources, consultants and legal advice?

Mr Goldstein—Yes. I do not know if I have it that way, but we will try and give you the full breakdown.

Senator LUNDY—Is it your intention to try and redeem some of those costs from the department of finance?

Ms Vardon—No.

Senator LUNDY—That was a very quick response, Ms Vardon. Is that because you know they would not be forthcoming?

Ms Vardon—It is behind us.

Senator LUNDY—Can I ask FACS the same question, please?

Dr Rosalky—I am not sure that I can say no quite as fast, Senator. Our equivalent estimate up to 30 June was about \$1 million and we can give it to you broken down also, I think.

Senator LUNDY—Have you already done that?

Dr Rosalky—I do not know that we have done an estimate beyond that at this stage.

Mr Mee—About half a million dollars since 1 July last year.

Senator LUNDY—To 1 July last year?

Mr Mee—From 1 July.

Senator LUNDY—Sorry, from.

Dr Rosalky—That would make it about \$1½ million over the period.

Senator LUNDY—That again is a blend of legal advice and consultants and human resources you have applied to the task yourself?

Dr Rosalky—Yes. We will break it down.

Senator LUNDY—I go back again to the process and who controlled the process for the preparation and evaluation of the tenders leading up to the point that you have both described. In making your observations about the Humphry recommendations and the requirements of both the FMA and CAC acts, in your position as chief executive officer and, of course, the obligations of the board, are you in a position to concur with what is an inherent observation in the Humphry review that the requirements of the FMA and CAC acts were not being fulfilled in the way that the project was managed previously?

Ms Vardon—I think that is a long shot, certainly in relation to the CAC Act, because we are the FMA Act. But we are conscious of our responsibilities under the FMA Act. The chairman of our board is the CEO of our organisation for those purposes, and he was very conscious that the onus and the decision would be his. I think that is probably where I should leave it. We were certainly aware of our responsibilities under the FMA Act. We were still negotiating from a position where we had those responsibilities on the table.

Senator LUNDY—You basically asserted your right to fulfil those responsibilities as part of your discussions and negotiations with OASITO?

Ms Vardon—Yes. We never gave up that proposition. The decision was an onerous one and belonged to the chairman of the board significantly.

Senator LUNDY—Forgive me for making this observation, but you would have obviously had a bit of a win in terms of the Humphry review.

Ms Vardon—We would not put it that way.

Senator LUNDY—No, I know you would not. As I said, forgive me for making the observation. In terms of the relationship with OASITO in the lead-up, in the negotiation

process, what guidelines were you working to as to what was your role and what was OASITO's role in that whole process?

Ms Vardon—The guidelines had been clarified.

Mr Goldstein—The guidelines were put out by the minister for finance to other ministers and they quite clearly indicated what were the responsibilities of organisations like Centrelink and what were the responsibilities of the office of asset sales.

Senator LUNDY—They actually distributed a document?

Mr Goldstein—Yes.

Senator LUNDY—Can you provide that document to the committee, and a copy of the correspondence from the minister for finance to your minister, was it?

Dr Rosalky—We will have to seek the advice of our minister on that, Senator.

Senator LUNDY—Sure. The Auditor-General's Office report makes reference to a prime ministerial letter which made the very specific statement:

As general government policy, outsourcing of IT infrastructure services should proceed unless there is a compelling business case on a whole of government basis for not doing so.

That letter and its implications are canvassed in this report. My understanding is that the subsequent letter from the minister for finance to other ministers, such as this portfolio, reflects and builds on that prime ministerial letter. I am just trying to help you to be more specific so that you know what I am asking for.

Ms Vardon—Senator, I will put the same caveat on it. I do not want to be disrespectful in any way. We will take advice, though.

Senator LUNDY—Yes. I appreciate that, if it is ministerial correspondence.

Ms Vardon—Yes.

Senator LUNDY—I am making the point that it has been referenced in this document in the Auditor-General's Office and I am trying to follow the paper trail leading to specifically what guidelines you were required to operate under in your relationship with OASITO throughout that period. Can I add to that, and I appreciate you will take this on notice as well, any subsequent modifications to that advice emanating from either ministerial sources or OASITO that changed the nature of that relationship in any way or modified those guidelines along the way. Can I pitch a similar group of questions over to FACS about your relationship with OASITO as well. Do you have anything you can add to an understanding of what your rights and responsibilities were as far as the negotiation and preparation of tender process for group 1?

Dr Rosalky—It was very much a similar process. The rules that OASITO promulgated applied to a joint approach. We would need to check on the details of that to be able to give you a joint response.

Senator LUNDY—I am happy for it to be a joint response. If you could take note of the questions I put on notice to Centrelink and provide any answers you can in that regard as well, that would be useful. In terms of the evaluation committee, did the group 1 process have a subsequent steering committee in place?

Mr Goldstein—Yes.

Senator LUNDY—Who are the members of the steering committee?

Mr Goldstein—For Centrelink it was Ms Treadwell and myself.

Mr Lansdowne—For FACS it was Barry White and myself.

Senator LUNDY—Who was represented from OASITO?

Mr Goldstein—Generally we had the coordinator for this group 1 project, which at the end was Mr John Bridge.

Senator LUNDY—Is he an officer with OASITO?

Mr Goldstein—Yes, he is. It was chaired generally by either Mr Smith, who is the CEO of OASITO, or David Yarra of OASITO.

Senator LUNDY—Mr Yarra acting on behalf of Mr Smith?

Mr Goldstein—I am not sure. He was nominated as the chair but Mr Smith sometimes used to come in and chair it. That is my recollection.

Senator LUNDY—Was there a formal structure to that steering committee, that is OASITO had two positions; Centrelink had two positions; Health had two positions? And Smith and Yarra were seemingly interchangeable?

Mr Goldstein—Yes.

Senator LUNDY—Did Mr Bridge attend all of the steering committee meetings?

Mr Goldstein—He was also a member of that group.

Senator LUNDY—Can you provide the dates of the meeting of that steering committee and agenda items or notes from that meeting? I appreciate I have to direct that to—

Mr Goldstein—Because there were no OASITO steering committee—all the paperwork for that is probably best obtained from OASITO.

Senator LUNDY—We are trying. That is why I am asking you if you could—

Mr Goldstein—We would not know if we would have a complete record of everything. That is why I am suggesting it is probably best obtained—

Senator LUNDY—I will still put the question on notice to both Centrelink and FACS, with a view of getting what information we can from you about those meetings: timing, agenda, content, decisions. Did anyone else attend those meetings?

Mr Goldstein—Yes, various senior members of the evaluation teams from time to time. That varied, depending on what was coming up. Probably the auditor was there sometimes.

Senator LUNDY—For OASITO?

Mr Goldstein—For the project.

Senator LUNDY—Are you talking about Steven Marks?

Mr Goldstein—Yes, or one of his employees.

Senator LUNDY—Does he have employees?

Mr Goldstein—I believe so. I do not quite know what the employment arrangement was but they came from that firm.

Senator LUNDY—Right.

Mr Goldstein—Representatives of Shaw Pitman were usually there; usually representatives from Blake Dawson Waldron. That is all I can remember at the moment.

Senator LUNDY—How many people would generally attend? Would there be a whole contingent of lawyers? Was there one representative?

Mr Goldstein—Usually there were not more than two lawyers. Blakes used to generally have two people there, I think from memory, as a general rule. Sometimes it was one. Certainly in relation to Centrelink there would usually be another two or three of our directors of the various teams.

Senator LUNDY—How many Shaw Pitman people would turn up?

Mr Goldstein—Generally two, I think.

Senator LUNDY—What was Centrelink's relationship between these consultants engaged by OASITO: Shaw Pitman, Blake Dawson Waldron. Did you have any contact or consultation with them directly?

Mr Goldstein—We had contact with them. They were employed by OASITO for the process, so they generally provided advice to OASITO. We probably could not go to them and say, 'We want advice on this or that.' We had to go through OASITO. They were very much OASITO's advisers.

Senator LUNDY—What was your understanding of their role at the steering committee meetings?

Mr Goldstein—They were there to provide advice to the steering committee.

Senator LUNDY—And did they?

Mr Goldstein—Yes, from time to time, when they were called upon to.

Senator LUNDY—When they provided that advice did they provide it in writing?

Mr Goldstein—No, it was generally verbal.

Senator LUNDY—Have you ever seen a written report by Shaw Pitman?

Mr Goldstein—I have seen one document, from memory.

Senator LUNDY—Could you provide that to the committee?

Mr Goldstein—I am trying to remember what the document was and where it was.

Senator LUNDY—I am happy for you to take that on notice.

Mr Goldstein—I will have to take that on notice.

Ms Vardon—Can we take it on notice with the proviso?

Senator LUNDY—With the proviso that is on the record from earlier.

Mr Goldstein—It is a question of whether we have that document. We will have to do a search.

Senator LUNDY—Certainly. Perhaps I could shoot the same question over to FACS as well. Have you ever seen any written advice that Shaw Pitman have prepared for OASITO for the benefit of the steering committee, or indeed anything written from Shaw Pitman ever?

Mr Mee—I do not recall.

Senator LUNDY—Nothing that you might have—

Mr Mee—We certainly did not get any advice. As part of formulating some of the RFT technical material, some of them helped us formulate some of that stuff. That was in terms of defining our requirements. That is it.

Senator LUNDY—You could take that on notice as well. If you have got anything authored by Shaw Pitman, provide it to the committee. In terms of the relationship between the evaluation committee and the steering committee, we know that the evaluation committee had signed off to allow negotiations to occur. What role did the steering committee have at that point, if any, in consideration of the contract?

Mr Goldstein—The evaluation committee reported to the steering committee. They made a recommendation, I think from memory, to the steering committee that we move to the negotiation phase.

Senator LUNDY—It seems obvious that that recommendation would have had to have been accepted by this steering committee for negotiations to actually proceed.

Mr Goldstein—Yes.

Senator LUNDY—And they had done that?

Mr Goldstein—Yes.

Senator LUNDY—Could you provide the date of that meeting and when that was signed off? And now I would like to ask who actually was involved? We know FACS had one subsequent meeting. Who had carriage of that negotiation process—

Mr Goldstein—Centrelink did not get to the negotiations—

Senator LUNDY—even though you did not get to it?

Mr Goldstein—so I could not answer that.

Senator LUNDY—No, I know, but who would have in your understanding of the process?

Mr Goldstein—I would be guessing. I could not say for certain because we did not get to that.

Ms Vardon—But we would have to say OASITO would have, because they were running the process.

Senator LUNDY—Yes, that would be my understanding. FACS, can you shed any light on this? What was your understanding of who, post that signing off by the steering committee to begin negotiations, had carriage and control of that negotiation process?

Mr Lansdowne—OASITO, Senator.

Senator LUNDY—What was your role in that negotiation process given you were the ones being outsourced?

Mr Mee—Technically we were there I guess to make sure our interests were represented. Certainly we were allowed to enter into the negotiations at appropriate points, really to make sure that at the end of the day what came out of negotiations reflected our interests and desired outcomes.

Senator LUNDY—I am conscious that I am delving into the hypothetical now because you did not get that far, but did your process also have provision for an options committee above the steering committee? Yes? Who were the members of the options committee?

Mr Goldstein—I cannot actually recall off the top of my head who everyone was on that options committee. It was certainly chaired by Mr Smith. It certainly had a couple of representatives from outside the Commonwealth, I believe.

Senator LUNDY—Who were they?

Mr Goldstein—I really cannot recall. I would have to take that on notice. If there was an options committee, I do not believe it ever met in relation to group 1. There was one that could be established.

Senator LUNDY—Right. Were you, as CEO, a member of that options committee, Ms Vardon?

Ms Vardon—No.

Senator LUNDY—Who was Centrelink's representative?

Mr Goldstein—There was no representative from Centrelink.

Senator LUNDY—There was no representative from Centrelink on the options committee?

Mr Goldstein—Correct.

Senator LUNDY—And that's the final decision-making body in terms of the evaluation of tenders, is it not?

Mr Goldstein—No, my understanding was that that options committee made recommendations to a committee of ministers.

Senator LUNDY—That is right, that is what I am saying. Oh, I see.

Mr Goldstein—Yes.

Senator LUNDY—But it was certainly the next up the line.

Mr Goldstein—Yes.

Senator LUNDY—So your last point of representation was in fact the steering committee.

Mr Goldstein—Correct.

Senator LUNDY—Is that the same with FACS? Did you have a member on the options committee?

Mr Lansdowne—It is the same structure for the whole group 1 process.

Senator LUNDY—Okay. I just thought I would check that.

Mr Goldstein—I think it is fair to say that we did hold discussions with OASITO and there was agreement that before the options committee came to any conclusion they would consult with the chairman of our board. So I think in that sense there was an ability for Centrelink to make any point they wish to make and to put forward anything they wished to have considered in that sense.

Senator LUNDY—Would it be a fair comment to make that the Centrelink board had to fight for that privilege?

Mr Goldstein—No. I think we raised the point that we did not have any representation and OASITO came back with that as a proposition.

Senator LUNDY—So they said, 'You can't have representation but we'll let you know what we're doing'?

Mr Goldstein—No, I think it was stronger than that. I think it was, 'We'll consult with your chairman.'

Senator LUNDY—Did your chairman have a right of veto over any decision by the options committee?

Mr Goldstein—I do not recall that there was a right of veto, but certainly I think there was a view that if he had any serious problems with it, they would be seriously considered.

Senator LUNDY—The options committee was, again, chaired by Mr Smith from OASITO?

Mr Goldstein—I believe so.

Senator LUNDY—So he chaired the evaluation committee and the steering committee?

Mr Goldstein—No.

Senator LUNDY—Sorry? I am sure you said that OASITO chaired the—

Mr Goldstein—OASITO chaired the evaluation committee—

Senator LUNDY—But not Mr Smith.

Mr Goldstein—That was chaired, I think, by John Bridge.

Senator LUNDY—Right. Was the Department of Communications, IT and the Arts represented on the options committee?

Mr Goldstein—I think they were, but I cannot recall for sure. I think they were.

Ms Vardon—We had better take it on notice, Senator.

Mr Goldstein—We will take it on notice.

Senator LUNDY—Yes—for the purposes of assessing the industry development components, which they have the role to oversee.

Mr Goldstein—Yes.

Senator LUNDY—Okay, if you could take on notice who the members of the options committee were?

Mr Goldstein—We will give you the makeup of the options committee.

Senator LUNDY—Yes. You mentioned the ministerial committee.

Mr Goldstein—Yes.

Senator LUNDY—Who were the members of that committee?

Mr Goldstein—I seem to recall it was the Minister for Finance and Administration, the Minister for Community Services and the Minister for DOCITA. I think those were the three. Can anyone else recall? I think that was it.

Senator LUNDY—The three ministers?

Mr Goldstein—I believe so, yes.

Ms Vardon—If we are not correct, we will give you the information.

Senator LUNDY—Thank you. The process I presume there is that they would assess the recommendation from the options committee and either proceed with the contract or not at that point?

Mr Goldstein—I believe the arrangement, certainly in relation to Centrelink, was that they would come back to the chairman of the board with the view of the ministers.

Senator LUNDY—And why were they required to do that? Was that a provision of the FMA act?

Mr Goldstein—Yes. The chairman is the delegate.

Senator LUNDY—I am just trying to understand the implication of it going all the way up through the options committee which actually removed representation from Centrelink, then to a ministerial committee, only then, in pursuit of compliance with the FMA act—the ultimate decision, you are saying, came back down to the chairman of the board?

Mr Goldstein—Correct.

Senator LUNDY—It seems a little convoluted, doesn't it? You do not have to respond to that. Minister, perhaps you would like to comment on the convolutions of layers of committees, only to find that the decision was vested back in the chairman of the board. But you have not really been following this, have you? No, I did not think so.

Senator Vanstone—It is not my custom, I admit, to pay close and fascinated attention to your close and fascinating interest in this matter.

Senator LUNDY—I know your interest will grow over time.

Senator Vanstone—I feel sure it will but, I tell you what, I will read the *Hansard* and I will get back to you.

Senator LUNDY—Thanks. I would like to turn now to the savings methodology. I know that we have been through that. I have some detailed questions about the cost analysis leading up to it, but I do have some general questions. In the identified savings can you tell me what the results of that savings analysis were if you removed the competitive neutrality factors out of that assessment?

Mr Goldstein—We never got to that point.

Senator LUNDY—What point did you get to?

Mr Goldstein—We just got to the precipice of the negotiation stage.

Senator LUNDY—So you never got to a point where you could in fact make some assessment?

Mr Goldstein—No.

Senator LUNDY—Did the minister ever publish forecasts of the estimated savings he hoped to achieve out of group 1?

Ms Vardon—Do you mean our minister?

Senator LUNDY—Or, indeed, the minister for finance.

Ms Vardon—I cannot talk about Mr Fahey. All I know is that our budget papers have shown, as you know, savings in the present in relation to this. That is the only savings information we would ever draw attention to in relation to us.

Senator LUNDY—You cannot point me to any Finance ministerial statement?

Ms Vardon—No.

Senator LUNDY—What about FACS? Did you get to the point of being able to assess the estimated savings outcome as a result of these contracts?

Mr Lansdowne—No, Senator, we did not.

Senator LUNDY—I will direct this question to FACS. In regard to the ongoing debate about financial methodologies, with the Audit Office asserting a certain methodology and OASITO having persisted with a different financial methodology for assessing savings, as

you embark on your new RFT is it your intention to utilise one or other of the financial methodologies to assess the potential savings through your IT outsourcing plans?

Mr Lansdowne—We have not finalised that methodology yet, Senator.

Senator LUNDY—I will watch that with interest. This is another question for FACS. In terms of your plans to release another request for tender, are you in a position—as Centrelink has identified—to reassess the whole of agency approach to IT outsourcing?

Dr Rosalky—Our assessment on that is that ours is a much simpler operation, fortunately, than Centrelink. We built our system separately in 1999. When FACS was created we had to quickly put together an operating network that joined quite diverse parts of the new department. We did that with OASITO's knowledge and we built a relatively straightforward system that was not customised to make it complex. It served our needs. It has been quite a good system. However, we knew that we were moving towards outsourcing. It is a relatively simple system. We do not think we have the same considerations as Centrelink and, at this stage of the process, it is certainly a prime option for us to have the whole operation. That is still something we are evaluating—that is, whether we put that into the tender.

Senator LUNDY—One of the issues in the lead-up to the tender preparation for group 1 was the fact that benchmarking and doing the analysis of your own internal costs was tied up with that whole group 1 process. Are you in a position now to go through an internal exercise of benchmarking your own costs and doing that almost auditing process about your own IT capability and costs before you release that RFT? Is that something you can extrapolate from the group 1 exercise?

Mr Lansdowne—We think we can utilise the work that we have done from the group 1 process essentially, with some minor updating.

Senator LUNDY—Did Centrelink and FACS engage their own legal representation throughout the group 1 process?

Ms Vardon—From time to time we sought advice from a firm different from that which was attached to the process.

Senator LUNDY—I presume when you provide me with the breakdown of that \$4 million plus \$1 million, you could have details of that. Did FACS do the same thing? Did you engage legal advice?

Mr Lansdowne—No, Senator.

Senator LUNDY—Did you have the benefit of the advice that Centrelink engaged, or did you make a decision not to engage legal advice?

Mr Lansdowne—We were aware of the Centrelink advice, yes.

Senator LUNDY—This is a very general question. The Humphry review stated that there was broad agreement that the initiative had delivered significant cost savings. Do you agree that there is broad agreement that that is in fact the case, particularly in relation to where your own agencies were heading but also your understanding of the program?

Ms Vardon—I would be in no position to comment on other people's business at all, and we are not at a stage where we can say that in relation to our own.

Senator LUNDY—FACS?

Dr Rosalky—It would have to be at the finalisation of negotiations, Senator, and we have not got to that.

Senator LUNDY—Chair, I would like to take the opportunity to place a few more questions on notice, but that really concludes my questioning today. Thank you.

CHAIR—Thank you, Senator.

Dr Rosalky—Chair, I have a correction to make. I have been educated about something I said. I informed Senator Lundy that we had had one meeting in respect of the negotiation phase after the suspension had been indicated to the tenderers. That in itself was correct. What I did not realise—and I have just been informed—was that there had in fact been about six meetings over a two-week period with each of the tenderers, which was the beginning of our negotiations process. So there was, in fact, more than that one meeting that I am aware of.

Senator LUNDY—But they occurred before the announcement of the suspension.

Dr Rosalky—It was before the suspension, yes.

Senator LUNDY—If you could provide me with a chronology of those meetings and the questions I placed on notice about providing all records—

Dr Rosalky—It encompasses that.

Senator LUNDY—of those meetings to the committee, that would be useful as well. Chair, finally, I would like to place on notice a formal request for any documentation that relates to the evaluation process of the group 1 contracts from either agency. I want to make that point very specific.

CHAIR—Thank you very much to all the officers from Centrelink.

[5.30 p.m.]

DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

CHAIR—We will now move forward to outcome 1, family assistance.

Senator CHRIS EVANS—Perhaps we could start, Dr Rosalky, with the issue we deferred from Centrelink. I understand there have been some problems with eligibility for family payment, and we deferred it.

Dr Rosalky—Yes, I remember the question, Senator. Are you able to give us anything more specific?

Senator CHRIS EVANS—I understand there have been some problems in assessing eligibility for family payments and some problems with people being wrongly assessed. Is that correct?

Dr Rosalky—I think I understand what the question is. I do not think that is a correct statement, but I will ask Mr Henry, who is the assistant secretary of that relevant branch, to answer that.

Mr Henry—Senator, I do not know of any problem in relation to the assessment of eligibility for family tax benefit. Perhaps if you had some more detail I could answer. The fact is that we expected this year to be paying about \$385 million per fortnight in family assistance. This time last year we were paying \$285 million per fortnight in family assistance. We are tracking exactly for what we expected to be expending and we are not aware of problems of eligibility.

Senator CHRIS EVANS—It has been put to me that there is some problem with inaccurate assessments: large numbers of families have been in receipt of more than they are entitled to and there is some sort of overpayment.

Mr Henry—Mr Tidswell from Centrelink may be able to answer that question, Senator. We do not have problems with inaccurate assessments. The system, however, does rely on customer provided information about their annual taxable income and we are continuing to try to work with the customers to make sure they are providing Centrelink with accurate information. As you have heard previously today, this is an ongoing interchange to try to get people to provide accurate details of their circumstances or to provide details of changes in circumstances where they have them. I do not know, and perhaps Mr Tidswell can add to this, but I am actually unaware of any problem where Centrelink is not paying accurately according to the information that customers have provided to us of their circumstances.

Senator CHRIS EVANS—I suspect that is probably right, but I do not know that it actually answers my question. In a sense that is a statement which is probably accurate. Maybe Mr Tidswell can help: have you had a large number of families who have been in receipt of more than they are entitled to?

Mr Tidswell—At the start of the family tax reform phase on 1 July families had to indicate to us what their estimated income would be. We have been doing some research and talking to families and identified that there are some families who have incorrectly not put in their parenting payment in terms of their estimate for family tax benefit part B. So we have been actively sending them letters since late last year to get them to increase their estimate for income to take into account their parenting payment. We sent out about 50,000-odd letters and we have effectively, as of 12 February, reduced the numbers of families in that group down to about 14,000. Our aim is to ensure that all those families have an up-to-date estimate for their family tax benefit.

Senator CHRIS EVANS—Can you explain it to me, Mr Tidswell? I got the broad brush, but what have they done wrong in terms of the parenting payment?

Mr Tidswell—It is a situation where their other partner may be on an income support payment, Newstart or disability support pension and they receive family tax benefit part B. They did not read the application form and the material and failed to include their parenting payment component, which needs to be considered as income for that entitlement. Hence we have been contacting them—

Senator CHRIS EVANS—So you know who these people are in the sense that you can cross-reference. Is that right?

Mr Tidswell—We have done some investigation of the data we have to find out those who were in receipt of a parenting payment who indicated a zero estimate.

Senator CHRIS EVANS—Right. That was your original target group and that was about 50,000.

Mr Tidswell—That is correct, Senator.

Senator CHRIS EVANS—These were people who were in receipt of a parenting payment but they had not declared that on their applications.

Mr Tidswell—For family tax benefit.

Senator CHRIS EVANS—Did those 50,000 then effectively get a family tax benefit at a higher rate than they should have? Is that right?

Mr Tidswell—That is correct.

Senator CHRIS EVANS—Then you whittled it down, you say, to 14,000. I assume that means, though, that in the meantime they were overpaid family tax benefit.

Mr Tidswell—Not necessarily. What we are asking families to do is re-estimate their income. They might have a reduction in their entitlement and it will get sorted out in the reconciliation process for family payment.

Senator CHRIS EVANS—How is that sorted out?

Mr Tidswell—That occurs progressively as people lodge their income tax returns from July of this year.

Senator CHRIS EVANS—It would manifest itself for those people as perhaps a liability in terms of their tax. Is that right?

Mr Tidswell—It could be.

Senator CHRIS EVANS—Is that the most likely outcome?

Mr Henry—Senator, that would depend on the whole range of their circumstances, including the full range of their income estimates, their receipt of child support—if that applied—and a number of other factors. It is impossible to say that there is necessarily a debt there for the particular person, but we are concerned and Centrelink have been working very hard to try to get people to provide correct estimates to minimise the possibility that they may have an overpayment when the reconciliation process occurs at the end of the year.

Senator CHRIS EVANS—Will that reconciliation—I am trying to get my head around the new system, so forgive me if I have it wrong—be done in terms of their tax return?

Mr Henry—Yes. At the time of their tax return we will see whether such a primary detail, which is their estimate of annual taxable income, is correct. We have been working with people to try to make sure that their estimate of their income is correct. This process provides for recovery or topping up for people who have been underpaid when you look at all the factors requiring to be looked at, at the reconciliation, and looking for recovery of money from those who have been overpaid, based on the estimates that they have provided to us. So we are very interested, with all of our customers, in trying to get accurate estimates of their situation. Centrelink and our other family assistance office providers, including the Tax Office and HIC, have been contacting and sending material to our customers to try to point out the importance of getting these estimates correct.

Senator CHRIS EVANS—Right, but they can claim the FTB fortnightly, can they not?

Mr Henry—Yes.

Senator CHRIS EVANS—What percentage are going to be impacted by taxation return issues and what percentage of—

Mr Henry—Everyone lodging a tax return will have their circumstances reconciled. We have 1.8 million family tax benefit customers who are receiving fortnightly payments through Centrelink, as the family assistance provider, providing those Centrelink payments. There are another 400,000 FTB clients we expect to claim large sums through the tax system at the end of the year. We have about 2.2 million in total.

Senator CHRIS EVANS—So will those who are receiving it fortnightly, also be reconciled at the end of the year through the tax system?

Mr Henry—Yes.

Senator CHRIS EVANS—Centrelink are not making any adjustment to the fortnightly payments in the meantime. If you get a restatement of estimation and you know that they have effectively been overpaid in the first six months—

Mr Tidswell—What effectively is going on is that people are constantly updating their estimate. I think since 1 July we have had about 425,000 families update their estimates. A number of those families would be doing it more than once as their income varies and changes. Some are reducing their estimate as well, but to a lesser degree. Most people are increasing their estimate.

Dr Rosalky—In principle, even though it is reconciled at the end of the year, we are encouraging and urging people and giving them as much information as we can so that they will correct their income through the year and the reconciliation will be neutral.

Senator CHRIS EVANS—I accept that—I know people's circumstances change and they might do it more than once—but say you have someone who basically underestimated the income for the first six months of the year and who is looking to correct that, do you then alter the FTB payment on a fortnightly basis and effectively pay them at a lower rate that will average it out over the year or—

Mr Tidswell—Yes, that is correct.

Senator CHRIS EVANS—I did not express myself clearly but—

Mr Tidswell—That is what we try to do—get them to estimate to a point where we get a neutral response. In fact, what we have been encouraging people to do is to overestimate so they get a top up.

Senator CHRIS EVANS—Overestimate so they get a top up?

Mr Tidswell—Correct. They overestimate the amount of income they think they will receive, so in a sense they get a top-up payment at the end of the year through the tax system.

Senator CHRIS EVANS—You are effectively then looking—for those people who have overclaimed in the first part of the year—to get them to claim at a different rate, so it is not so much a penalty as you trying to encourage them to claim at a different rate to balance it out for the year. Is that fair?

Mr Tidswell—That is correct, yes.

Senator CHRIS EVANS—By discussing with them how they might rejig the claim, you hope at the end of the year you will get a neutral result.

Mr Tidswell—That is correct. Some people are choosing to ask us to stop their payments because their income has increased to that amount and they say, 'The best thing for me to do is to stop receiving it in fortnightly payments and settle the account through the taxation system at the end of the year.'

Senator CHRIS EVANS—So you are not actually billing people or raising an overpayment against them in the short term?

Mr Tidswell—No.

Senator CHRIS EVANS—So that will not ever occur until the end of the financial year?

Mr Popple—No, because it is based on an annual income rather than a point-in-time income.

Senator CHRIS EVANS—You say you have 420,000-odd alterations already. This is clearly going to be quite a major exercise.

Mr Tidswell—It is. What we are trying to do is minimise it, and you heard something earlier today about call centre automation to enable people to phone through on an automated

line so we can provide that information. We also want to look at what other capability we can provide online for that, to make it easy and simple for people to update their income.

Senator CHRIS EVANS—What was your estimation of the number of changes in income declarations you would get in a year before it started?

Mr Tidswell—I do not have that. I am not sure if we have a figure for that. It is a little bit unknown.

Ms Henry—We did not have an estimate. We are actually very glad to see people changing their estimates, as obviously they do change for people during the year. I must admit, if one listens to the call centre traffic, as both Grant and I are wont to go out there and do, it is very impressive. People are coming to understand the importance of updating these estimates, notifying a change of circumstances and dealing with it, given the need to do so. We certainly want to encourage them to provide correct estimates so that we can pay them what they are entitled to.

Senator CHRIS EVANS—I am trying to explore what issues there are, because it seems to me that, with the casualisation of the work force and more part-time work and all those things, there is actually more likely to be a much more regular occurrence of changes in people's circumstances than there might have been years ago. With 400-odd thousand already, it is obviously quite a process. Do you have a projection of how many contacts about change of income you expect once the system beds down?

Mr Tidswell—I do not think we have made any estimates. This is the trial year. As people get used to it, and maybe as they go through the first financial year period, they will make some assessment about whether to put a 10 per cent buffer on or anticipate this or anticipate that. We will certainly get better at helping families to consider how much they need to put on top of what they earned last year.

Senator CHRIS EVANS—For those you do not get in the targeting and do not get to for whatever reason, and at the end of the year end up having been overpaid, that news for them will be reflected in the Taxation Office's assessment of income earned and tax at the end of the year. Is that right?

Mr Henry—Yes. That is when the top ups will be received or there will be notification of any overpayment that had taken place.

Senator CHRIS EVANS—I would have thought a large number of the people we are talking about would have very low taxable incomes. Some of them might not be paying much tax at all.

Mr Henry—That is right—quite a number—except that the income support customers receive maximum rate anyway and their income is not reconciled. There are a number of groups here that we are looking at, but they will be reconciled through the tax system. Very low income people will be getting maximum rates, so smallish adjustments to their income will not have an effect on their payment. Income support customers are getting maximum rates and their payments will not be reconciled for the period for which they were getting the maximum rate.

Senator CHRIS EVANS—This is the same issue that we have discussed in terms of the child-care benefit, is it, in the sense of the estimation of income? This is a different office. Ms McKay you have joined us, but I have pursued this before—the question about how the CCB is going to impact. It is really the same issue, is it?

Ms McKay—Yes, that is right. CCB will also be reconciled against taxable income at the end of the year. Customers were asked to provide estimates of income for the purpose of calculating their CCB rate, which they have been receiving through reduced child-care payments for services throughout the year.

Senator CHRIS EVANS—What have you done to target the same problem in terms of the child-care benefit?

Ms McKay—Essentially the same kinds of information strategies to customers have been used for child-care benefit as have been used for family tax benefit.

Senator CHRIS EVANS—What is that? Has Centrelink been contacting a target group?

Ms McKay—Centrelink have been using the same plot, so to speak, with those customers as they have been using for family tax benefit customers, so whenever a customer approaches Centrelink for some reason they are invited to update their estimate of income—every customer, every contact, every time.

Mr Powlay—Centrelink also specifically wrote to a large group of child-care benefit customers late last year about this issue, to remind them of the importance of updating their estimate.

Senator CHRIS EVANS—I gather from what Mr Tidswell said that Centrelink were able, because of the income support payment system, to really identify key cohorts basically who were showing up, and it was a very proactive thing. Is that capable of being done? I understand you did the general mail-out, and I also know what success you have with such general mail-outs; so many people ignore them or do not seem to respond. Is that sort of targeting being done in the child-care area, or has that not been possible?

Mr Tidswell—We have done some targeting but not to the specificity as with the income support on parenting payment. We do not expect the same sorts of results that we will get from the targeted group—the 50,000. There are a number of approaches we are using: not only the communication products but phone calls to families, as well as targeted mail-outs.

Senator CHRIS EVANS—I suppose the group using the child-care benefit may not necessarily have as much contact with Centrelink as some others.

Mr Tidswell—That could be true.

Mr Powlay—Senator, it is also worth pointing out to you that the majority of customers receiving the child-care benefit also receive the family tax benefit.

Mr Henry—The request to update estimates is addressed to one group.

Mr Powlay—Anything that is done for the family tax benefit will flow on to the child-care benefit and vice versa.

Senator CHRIS EVANS—You mean that, by virtue of the fact that they have children, they are claiming that they must therefore be a family.

Mr Henry—That is right. They are for our purposes.

Senator CHRIS EVANS—For the purposes of the definition, right.

Mr Henry—I have here family tax benefit and the tax system information sent out by the tax office to 1.6 million taxpayers; the *Family Buzz* magazine, which goes to work on your income estimates and which went out to 1.8 million Australian recipients of FTB; Centrelink fliers that went out with Medicare cheques via the Health Insurance Commission to people. These are important messages for Australian families concentrating on the need for them to

provide their estimates as correctly as possible, allowing us to pay them what they are entitled to.

Senator CHRIS EVANS—I appreciate that. As I say, I am sure that has some effect; but as we have discussed before, we still do not always get to them.

Mr Henry—We understand that, Senator. It is hard, in the messages that families get in this country, to get them to address every issue that is put to us. Nonetheless, there is quite a deal of evidence, from what is happening in the system at the moment, that lots of people are updating their estimates—that we are having a significant effect. What we would like to have is a total effect so that everybody is updating their estimates so we can pay them what they are entitled to.

Senator CHRIS EVANS—I appreciate that. I was trying to get a feel for how widespread the problem was and how we were going in terms of dealing with it.

Mr Henry—We are attacking it with a will and with a good deal of apparent success.

Senator CHRIS EVANS—I guess the final word will be when we get the figures from the tax office at the end of the financial year. Is that when we will know what the impact is on those who have not made adjustments?

Ms McKay—That is the nature of reconciliation through the tax system, that adjustments occur at the end of the year. They cannot occur at any other time. At that point our customers will either receive a top up or have notification of an overpayment. The real point of what we are trying to do is for those adjustments to be as small as possible, rather than there not to be any.

Senator CHRIS EVANS—Yes, if they take heed of the advice and make changes they will then find out when they get the tax return effectively.

Mr Henry—They will find out, yes. A reconciliation will be done and they will be advised of the results of that reconciliation.

Senator CHRIS EVANS—All right. How will that work in a process sense? Is that just lost in their assessment of tax, or is that a separate reconciliation? Has that been determined yet?

Mr Henry—No, the process I think will be pretty clear to people; what the family tax benefit adjustment being made is as part of the tax return. It will not just be a figure that is completely opaque to people, on what the result is. They will be receiving advice of why their assessment turned out to be the way it was. Either they will be topped up—and, of course, the previous system did not allow for top-ups under any circumstances if they had been underpaid—or the reason why some recovery of overpayment against family tax benefit is being sought. It will be made clear to people, not just lost in the noise of the tax return without explanation.

Senator CHRIS EVANS—You gave me the figures before, but what was the percentage breakdown between those claiming through the tax system and those claiming through the fortnightly payments?

Mr Henry—We have 1.8 million customers claiming family tax benefit part A. We have 1.2 million claiming family tax benefit part B through Centrelink as the family assistance provider and they are paid by fortnightly payments. By and large they are the same group—that is 1.8 million. Almost all the 1.2 million are in the 1.8 million, so you are talking about 1.8 million. We expect some 400,000 Australian families to seek a lump sum through the tax

system at the end of the year. So you are looking at family tax benefit delivered to 2.2 million Australian families with about 4 million children. These are very significant differences we make, and we are paying about \$11 billion in family tax benefit, an increase of \$2.7 billion over last year.

Senator CHRIS EVANS—Have you done any breakdown on income group as to who is using which system?

Mr Henry—That is difficult to get out of the tax system. However, before we bought in the new system we did inquire. We did a survey of customers as to what choice they would make of delivery. Unsurprisingly, it tends to be skewed towards our higher income families looking likely to take lump sums at the end of the year. Also some self-employed people who are a bit unclear about what their estimates are can now just claim at the end of the year and avoid the possibility of an overpayment if they have misplaced it, which is something they could not do under previous arrangements. They are two significant groups. I would not say the groups are heavily distinct. The other distinction is that our income support customers are all claiming through fortnightly payments which is pretty natural and to be understood. But you have some skew, as you would probably expect, Senator, towards the higher income and self-employed groups in the group that will choose tax delivery.

Senator CHRIS EVANS—But you do not have any breakdown on that at this stage.

Ms Henry—Not completely, Senator. We are waiting for the first year that will tell us exactly. The 400,000 is an estimate, although I believe it to be a pretty accurate one of how many we can expect to claim.

Senator CHRIS EVANS—We were discussing in health the PHIAC, the original health insurance support by the government and there were some quite surprising counter-intuitive developments.

Ms Henry—That is always possible. This one seems that it will go intuitively but you can certainly get some counter-intuitive activity in the large populations we have got.

Senator CHRIS EVANS—I have had an issue raised with me about partner parenting payment and reductions in FTB part B under the income test; something about the partners of parenting payment recipients sent letters saying they had accrued an FTB part B debt, because the payment system did not automatically adjust FTB properly when the person also received partner of parenting payment.

Mr Tidswell—That is the issue that I talked to you about earlier in terms of the 50,000. They are those individuals.

Senator CHRIS EVANS—That is right. That was more a question then of you targeting them rather than there being a problem generated. It was a proactive targeting of what you thought was a cohort that might have a problem, basically.

Mr Tidswell—That is correct.

Senator CHRIS EVANS—You are down to about 14,000 who are still in the target group.

Mr Tidswell—Yes, that we have to fix up, have contact with.

Senator CHRIS EVANS—Is it that you have not been able to contact them, or they are not responding to the contact?

Mr Tidswell—I am not sure. I would have to take that on notice.

Senator CHRIS EVANS—I would be interested in the breakdown on that; whether they are just ignoring the contact or whether you have been unable to—

Mr Tidswell—I would suspect it is just the problem of getting to people and people responding and doing something about it.

Senator CHRIS EVANS—All right. They are not actually on a repayment plan, are they? You are encouraging them to adjust their estimate conservatively for the rest of the year as a way of balancing things out.

Mr Tidswell—Yes, or as I have indicated, some decide not to continue with that payment. That is an option for them.

Senator CHRIS EVANS—For those who need the money that is obviously not necessarily an easy option to defer the payment until the end of the tax year. It is often a question about what people's needs are.

Mr Tidswell—Yes, Senator, I think that is where we are spending some time with families and talking about what the best option is for them. The principle here is that families are estimating their income; we are not estimating their income for them. We guide them through that process.

Senator CHRIS EVANS—Okay.

Proceedings suspended from 6.00 p.m. to 7.08 p.m.

CHAIR—I call the committee to order. We will now continue with output 1.1, family assistance.

Senator CHRIS EVANS—I want to finish that section in terms of the debate we were having about income estimation. The obvious question I did not ask occurred to me over dinner. I do not know why I did not ask it, particularly in relation to parenting payments. Why not just do it automatically? You are saying to me that you pay both payments. You know that there are those who have not declared in their income estimation that they are claiming a parenting payment and you know that because you are paying it to them. The obvious question is: why not just adjust it?

Mr Tidswell—The principle of the family tax changes was to give families the opportunity to estimate their income. What we asked families to do in May or March of last year was to provide us with information about their anticipated income and circumstances. We then established their payment accounts accordingly. It has been this sort of process we have been looking at in closely looking at the figures and we have discovered that this group of families are at risk; therefore we have been making contact with them to correct it. I have to take advice in terms of whether we are able to enforce an income estimate arrangement on a family. As I understand it, our requirement is to talk to families, and if they do not provide an estimate that we think is reasonable we advise them accordingly.

Senator CHRIS EVANS—I understand that, but it raises the obvious question. You are saying to me you identified a group because you are paying them one payment that they are not declaring to you but you are paying it to them. You then have to go out and find them and talk to them about why they are not telling you that you are paying them that money. I thought, 'Hang on, surely the simplest way is to actually include that in their estimation.'

Dr Rosalky—We are effectively doing it by suggestion. It is an informed choice that they are making.

Senator CHRIS EVANS—Yes, but you are running the risk of them incurring debts to you.

Dr Rosalky—So we inform them.

Senator CHRIS EVANS—You inform them. This is a reasonable question, isn't it?

Mr Popple—Yes, it is. We are not able to change their estimate. They have to provide the estimate. We do not have the authority to change it. I think the other part of your question is that the system does not allow us to automatically identify these people at the beginning. We have to do a run to identify them. The system did not allow us to make a correction up-front. We had to do a run later on when we realised this issue had arisen.

Senator CHRIS EVANS—I understand that that is the case and it has been explained that you found out afterwards that the problem had arisen, particularly with the parenting payment, and you have addressed it. But it still raises the question: why in principle not organise it so that it is done automatically? As I understand it, you asked them to estimate before the financial year commenced. Is that right?

Mr Popple—We did. On conversion across to the new system, we sent the information out to them about March or April.

Senator CHRIS EVANS—Then in July you increased their parenting payment, didn't you?

Mr Popple—We brought in a new system that brought in a whole range of payments.

Senator CHRIS EVANS—Would they not then have estimated wrongly because they would not have accounted for the increase you paid them in July? Is it not the case that, every time there is an indexed payment or whatever, every time you increase a benefit you are paying them, their estimation of income will therefore need to be altered?

Mr Popple—Yes, that is the case. For some of them it did not matter because they were below the threshold. So in fact a small increase in their other payments did not actually affect the fact that they were getting the maximum rate payment of FTBA.

Senator CHRIS EVANS—No, but the principle is right, isn't it? For some people it would have affected their entitlement.

Mr Popple—It might have affected some with the increase, but they would have been able to take that into account when they put their estimates in.

Senator CHRIS EVANS—How would they know what the parenting payment was going to go up to in July?

Mr Popple—They have the opportunity to correct their estimates any time they want. As Mr Tidswell was explaining—

Senator CHRIS EVANS—I appreciate that, Mr Popple. It is a systems question, I suppose, in a sense. I do not disagree with what you are saying, but it just dawned on me that the logic of it is that you are paying them a payment which affects another entitlement. Why not automatically adjust for that fact?

Mr Popple—We are not able to automatically adjust their estimate. They have to provide the estimate to us under the act.

Senator CHRIS EVANS—Why not amend the act so that is not the case? What are the principle issues here? What are the policy issues here?

Mr Popple—I guess the policy issue is trying to pay people their exact entitlement. We go through a process at the end of the year to adjust that. We rely upon them to provide us with an estimate of what their income is. We do not know the totality of their financial arrangements.

Senator CHRIS EVANS—No, but you have already told me today that you know that 50,000 of them did not claim it, so you do know about this particular problem. You say it is a problem. You have actually spent taxpayers' money trying to address it. You have put a lot of resources into addressing it, and I commend you for that. But the obvious question is: you had 50,000 people who you knew were being paid entitlements which affected their entitlement to another payment; what is to stop us making an automatic adjustment?

Dr Rosalky—The essential point is that it is a choice, and we know that a lot of people do exercise their choice. Some are risk averse and so on, while some might choose to have the cash flow, knowing they are going to have to adjust it at the end of the year. We know some people take that option. The principle in the policy was to have the choice. Certainly, this is the first year, as Mr Tidswell was saying before, when people get used to how to estimate properly. In that circumstance, we have taken the extra effort to make sure people are well informed in this learning year to get the estimate accurate. But it is still their choice, and that is in the law.

Senator CHRIS EVANS—It may also be that as a result of this measure, though, people are underestimating, which is what we talked about before, because they are a bit scared about incurring a debt at the end of the year. For those people who are relatively comfortable and it is not an issue for them about their fortnightly income that may well be fine, but for a lot of these people it is a fine line.

Mr Tidswell—If I can make one other comment. This is an implementation effect, because what is occurring now is that people sign up for entitlement as they come through the system. We are in the process of advising them about the estimate they put in. Our advice to our staff is not to accept a zero estimate now. So it is an implementation effect, not an ongoing effect. What we would like to do is put a flag into the system so it is impossible to code in a zero estimate for those families.

Senator CHRIS EVANS—A zero estimate for parenting payments?

Mr Tidswell—For people who are receiving the family tax benefit part B and also those who are receiving a parenting payment (partnered). So the distinction is that we are not able to change their estimate, but we are able to say, 'No, that's not reasonable. You need to include your parenting payment in it.'

Senator CHRIS EVANS—Are you saying to me that that is currently applicable?

Mr Tidswell—Yes.

Senator CHRIS EVANS—So if a person applied tomorrow, you would reject the application or it would beep up on someone's screen saying, 'No parenting payment registered'?

Mr Tidswell—We would advise the customer that they would have to include their parenting payment in their estimate for the family tax benefit part B.

Senator CHRIS EVANS—In relation to the parenting payment (partnered), when is it next likely to increase? Is it one of those annual index rates? Just for argument's sake, it is due to change in March: how many people are in receipt of that parenting payment (partnered)?

Mr Tidswell—I do not have the figures in front of me.

Senator CHRIS EVANS—Just roughly, what are we talking about? Is it 100,000?

Mr Tidswell—I think about 200,000.

Senator CHRIS EVANS—Just for argument's sake, let us say it is 200,000. Are you going to tell me that those 200,000 people will then have to revise their estimate of income; they have to make 200,000 contacts with Centrelink to revise their income?

Mr Tidswell—What we will be doing with families starting about April of this year is asking them to re-estimate for the next financial year. Therefore, they would need to be including their estimate of income for the next financial year.

Senator CHRIS EVANS—Will that include the adjustment to the partner payment made in September that following year?

Mr Tidswell—I would suspect we would encourage people to provide that buffer.

Senator CHRIS EVANS—So are you going to tell them that when they are estimating their income they should remember that in September their parenting payment (partnered) is going to increase? It just seems to me unnecessary complexity.

Mr Popple—We ask people in the normal course of their estimating their income outside this. I mean, if you estimate your income and you are asked to make allowance for the fact you might get a pay rise during the year or you might get some percentage increase in the normal salary during the year, so it is no different from making that sort of allowance. I guess the other thing, too, is that the increases in indexation are not significant increases as they are linked to the rate of CPI, so it is not going to have a great impact upon their FTBB payment overall. I mean, we are really talking at the margins that the increases are occurring, so it might only end up having a couple of dollars effect on the payment over the course of the year.

Senator CHRIS EVANS—I suspect it is a bit larger than that but I take your general point, which highlights the problems when people estimate their income, it seems to me, which is a broader issue that I have raised before. There is some concern in the parliament as to how that is going to work and how it will affect people and it is obviously something you are aware of and addressing. Am I missing something here? Is there some sort of constitutional or legislative problem or is this just a reflection of the philosophy that applied in terms of providing choice for people and therefore, having gone down the path of automatic adjustments or—

Mr Henry—We have not gone down the path of automated adjustments. In addition to what has been said, one of the things you cannot automatically tell is what people's expectation was when they provided the estimate of how much, for instance, parenting payment they expected to receive. It may be that they expect to go off parenting payment at some point during the year. So you cannot automatically say, because at any point they are receiving more parenting payment at a point than their annual estimate would seem to imply, that they are necessarily wrong. They may have only been expecting to be on parenting payment—and we have got a lot of customers in that situation—for a period of time during the year. So the way this is set up is a very high degree of reliance on customer estimates. That is the way the legislation was drafted and that is the way Centrelink has had to respond to it and therefore cannot just make an adjustment itself. because it thinks that the customer ought to be putting something else into the system.

Senator CHRIS EVANS—Thank you for that. Could I ask some questions about the Stronger Families and Communities Strategy. I really want a bit of an update on it. I knew this was a work in progress, or funds in search of a policy, depending on your interpretation. I wanted to get a sense in general terms and then perhaps ask questions under some of the programs, but I might put some of those on notice, in terms of whether we were on target in terms of the funding, first of all, for this financial year and where we were at in terms of roll-out of the strategy, basically. So I suppose it is a general question to start.

Ms Swift—The Stronger Families and Communities Strategy has nine initiatives, as you would be aware. All of those are moving along at a reasonable rate. Five of them are what we are calling linked initiatives, because they have a lot of linkages between them and allow us to be flexible in terms of our response. Some of those come from the families side and some from the communities side and, to a large extent, they are being managed at a local level now, although there is a national partnership that has been set up to provide strategic advice and direction about those policies from a national perspective. So there is some sort of consistency across Australia. State and territory advisory groups have also been set up in every state and territory and their primary purpose at the moment is to work out a targeting framework for each state and territory and then to provide some direction about the funding of projects within those five linked initiatives.

Senator CHRIS EVANS—So the national partnership and the advisory committees are only for the five linked programs?

Ms Swift—Yes, they are. The ones that are not linked are ones that logically sit at a national sort of level and they are things like the longitudinal study, which is being managed at a national level, the International Year of Volunteers—at least the first stage of that is being managed at a national level. Some of the parenting things are being managed at a national level and the communications strategy, which of course is an overarching strategy to get the messages out about—

Senator CHRIS EVANS—Is that the early intervention parenting and family relationship support?

Ms Swift—Yes.

Senator CHRIS EVANS—Is that the one you were looking for?

Ms Swift—Yes, thank you.

Ms McKay—There is also a ninth, which is the child-care measures, and they are being implemented through the child-care services branch as the rest of the child-care services program is.

Senator CHRIS EVANS—You are saying they are separate again in a sense because they have been run from the child care branch?

Ms McKay—The five linked initiatives are those that tend to focus on community development and implementation at a local level and they are the ones that Denise has spoken—

Senator CHRIS EVANS—So that is the local solutions, can-do communities—that sort of stuff.

Ms McKay—That is right.

Senator CHRIS EVANS—What does this national partnership consist of?

Ms Swift—The national partnership is a social coalition comprising a number of people who have been chosen for their expertise in community and families. It is chaired by Elaine Henry who is, as you would know, the chief executive officer from the Smith Family and has a number of members on it: Boni Robinson, who is an indigenous representative; Graham Vimpani from the University of Newcastle; Jill Kabut, who is the past president of the Uniting Church; Pauline Frick, who is the chief executive officer of Anglicare; Allison Hardacre, who is a representative of the Youth Round Table; Margaret Smith from the CWA; Daniel Petrie, who is a business representative from Microsoft; and Kerry Flanagan from our department is currently the departmental rep on there in her acting position as the deputy secretary.

Ms McKay—And Professor John Chudleigh.

Ms Swift—Sorry, I skipped him—Professor John Chudleigh.

Senator CHRIS EVANS—What is their charter?

Ms Swift—They provide the strategic overview and advice to the department and government about the strategy as a whole. At their first meeting one of the things they did was make some recommendations about the philosophy to underpin the allocation of funding and they will continue to provide that sort of strategic advice and will help to monitor some of the national projects. There is a component of funding for national projects under the five linked initiatives.

Senator CHRIS EVANS—So you have State and territory advisory groups that provide targeting and the framework.

Ms Swift—Yes.

Senator CHRIS EVANS—Maybe you could give me the membership of those on notice.

Ms Swift—Yes. We can provide you with that. We have the lists here so we can probably photocopy them and leave them. But, again, they have representation from expertise in a similar sort of way.

Senator CHRIS EVANS—What is their role; what is their charter?

Ms Swift—The role of the state and territory advisory groups?

Senator CHRIS EVANS—Yes.

Ms Swift—It is to develop the targeting framework for each state and territory. One of the issues, I suppose, is to make sure that we do not dilute the impact of the strategy by spreading it too thinly and doing very small projects in too many areas, and so part of their mandate is to develop a framework that takes account of works that are already happening in the state and territories so we are not duplicating things and gets the best impact in that particular state or territory. So that is their initial task, and then they will help with assessing some projects that come in. There are a couple of ways projects will come in. One is through self-identified projects, which are people putting in submissions.

Senator CHRIS EVANS—I gather you have had a fair few of those.

Ms Swift—We have had certainly a lot of interest, yes. The other is through identifying areas of high need and working with us to work that out. The whole philosophy underpinning the strategy is about working with communities and having them identify the issues and working with families and having them identify the issues rather than us going in and saying, 'We know what your problem is and we know how to fix it.'

Senator CHRIS EVANS—I think that is fine, but one of the concerns that has been raised with me is that there are a lot of professional submission writers who will win out, and you made the point about identifying need. There is a way to play these games, and I know that a lot of very good organisations specialise in employing people who are best at writing submissions.

Ms Swift—That is a valid claim if we were only doing submission based, but—

Senator CHRIS EVANS—That is why I am interested in what you are doing to identify need.

Ms Swift—A large percentage of the funding will go to those areas where we have worked with the communities to develop up the proposals. To identify the need, the states are doing an analysis of high need areas based on a whole lot of statistics that are around already, working out areas of disadvantage and then going to those communities and getting them to work up proposals as a community. One of the things that you are commenting on has to do with their ability to be able to write those, and part of our job in this strategy is to find ways of assisting them. That may not mean departmental officers going out to actually hold their hands, but we may broker through some agency in the area which has expertise in community development. For example, currently in Victoria, in Bendigo, there is an agency which has modelled the sort of behaviour in terms of community development that we are trying to engender. We would not want to give them the money to do it because, as you say, they are already the articulate group to do it. But if they can work with the community to help them get to the stage of being able to develop it for themselves, that will get around some of those issues you are raising.

Senator CHRIS EVANS—So where are you at in terms of that development? Are you at the stage of approving projects?

Ms Swift—Some of the self-identified ones will be approved fairly shortly or be recommended to the minister for approval fairly shortly. The ones where we are working with communities and areas of high need, I would envisage, will come up in the next financial year. We are starting to work with those communities, but that work is very slow.

Senator CHRIS EVANS—So are they six months or so away?

Ms Swift—Yes, at least, to start. If you rush that you do not get the product you are after.

Senator CHRIS EVANS—So with the self-identified, you have actually had a sort of first cull and have some projects that you think are ready to go?

Ms Swift—Each of the state and Territory advisory groups is doing that, and each state and Territory office is managing that process at the moment, yes.

Senator CHRIS EVANS—What sort of criteria are being applied to those projects?

Ms Swift—There are some criteria that have been circulated in the community guide, and there are some core criteria around community support for the project. There has to be demonstrated community support and benefit to the community in the short and long term. Another criteria is the extent to which the project builds capacity, and the fact that the project complements rather than competes with other services or projects that are happening in the area.

Senator CHRIS EVANS—Are these going to be funded on an ongoing basis, on a one-off basis or—

Ms Swift—There are various parts of the strategy as a whole. Some of them will be one off, some of them will be ongoing. Some of the strands are ongoing and some of the others are one off.

Senator CHRIS EVANS—So is that determined by the program name they are under? Does the ‘local solutions to local problems’ provide only annual funding?

Ms Swift—Yes, it is determined by the area they come out of.

Senator CHRIS EVANS—So which ones offer recurrent funding?

Ms Swift—The Stronger Families fund is the one that has recurrent funding. I am not sure that there are any others, but I can take that on notice and get back to you to clarify that.

Senator CHRIS EVANS—What are you offering them in terms of recurrent funding? Was it a four-year program?

Ms McKay—In terms of the Stronger Families fund, they are meant to be longer action, research type projects as well as projects that are actually delivering services on the ground. Their funding could be anywhere between two and five or six years: it depended pretty much on the nature of the proposal coming forward. But it is certainly intended to help build an evidence base, and it is hard to do that when you have not let something run for a reasonable length of time.

Senator CHRIS EVANS—So you may well be committing to five years on some of those projects, et cetera. Is the idea then that, on those other programs that have only one off, each year you will have another set of programs coming through? Is it funded for four years, or that was just—

Ms McKay—The announcement was for four years, but the bulk of the money is ongoing. So that there could, in subsequent years, be rebidding. Where projects are being funded for only one year, it is usually because of the nature of the project. It could be an Outward Bound course for youth in a particular area and only done once or twice as opposed to setting up a service that is going to be a kind of regular part of the community infrastructure. So it depends very much on the nature of the project that is being funded as to how long it is funded for.

Senator CHRIS EVANS—There has been a history in a lot of these community developments, at both Commonwealth and state level, of people setting up very worthy causes with very worthy people involved but then, after a year or two, the funding gets pulled. Is it intended for most of these to have ongoing funding? Or is next year expected to be another group which has a year’s funding for a different project?

Ms Swift—I think this reflects in the criterion about whether or not the project demonstrates that it has the capacity to be ongoing and self-sustaining in its own right. With some of them we will take longer to do that than others. As Ms McKay said, some of them will automatically be short-term projects that you would only want to go in and do for a particular period.

Senator CHRIS EVANS—So is there a self-sustaining criteria on some of these?

Ms Swift—Certainly. One of the core criteria is the benefit to the community short and long term. So that is part of self-sustaining. The other one is around building capacity. Self-sustaining is not actually specified, but those two would build to the self-sustaining criterion.

Senator CHRIS EVANS—So basically we are not in a position to know which projects are going to take off yet. Are you expecting a decision by the minister within a month or two on that first round?

Ms Swift—There were some demonstration projects announced by Minister Newman, but in terms of the first round coming through from the STAGs—the State and Territory Advisory Groups—we would expect those to be in the next month or so.

Senator CHRIS EVANS—Is that with a view to them starting in the next financial year, or could they start before that, or—

Ms Swift—We would expect some would start this financial year.

Senator CHRIS EVANS—What does that mean for expected expenditure this financial year? Are we going to spend what we originally anticipated, or will there be a carryover?

Ms Swift—I think in terms of—

Senator CHRIS EVANS—I mean in just general terms.

Ms Swift—In general terms, I would expect some rollover of the funds allocated for this financial year.

Senator CHRIS EVANS—Okay. Thanks for that. What is happening with the Child Abuse Prevention Program?

Mr Nott—The Child Abuse Prevention Program started in 1996 and has been expanding since then. The funding for it is ongoing. Over that time, the focus in the program has shifted towards more early intervention/prevention type activities without losing sight of some of the more important communication aspects, particularly of child abuse prevention. Most recently, we have just let a tender for \$5.8 million worth of projects over two years that are in the area of parenting, child abuse prevention and communications around child abuse and general parenting activities.

Senator CHRIS EVANS—So is that how the funds for the program are expended—by funding projects out in the community?

Mr Nott—Yes. The tender that we have just run was quite open as to the sorts of projects that could be supported under it and it was assessed in a number of categories, which included communication activities, projects—just general projects—and projects with indigenous communities. There was a focus to try to make sure that rural and remote communities got a reasonable share of the overall total.

Senator CHRIS EVANS—And are these basically self-sustaining projects?

Mr Nott—The projects were let for two years. At some stage during that time my expectation is that we will assess the projects to see how they are going and to see which ones should be extended.

Senator CHRIS EVANS—And what has happened in terms of assessment of what you have funded since 1996?

Mr Nott—The large proportion of those projects were given very short-term funding. They were invited to apply under the tender that we have just let, and they did. A number of those have received ongoing funding for the next two years under the tender.

Senator CHRIS EVANS—So did you run assessments on the success of those projects?

Mr Nott—Yes, there was a preliminary evaluation done of the Good Beginnings program, for example, which was a major component of the activities so far. The evaluation was a little bit inconclusive in that the sample size was small and there were data problems in it. More recent contracts that we have let with Good Beginnings have asked them to do a lot of work on the data that they are collecting so that we can assess the success or failure of the projects more carefully. Good Beginnings, for example, has received funding for three areas under the new tender.

Senator CHRIS EVANS—Right. But they were the main beneficiary previously of project funding, were they?

Mr Nott—There is an organisation called NAPCAN, which received the bulk of the funding around communication activities against child abuse, and the other major beneficiary was Good Beginnings.

Senator CHRIS EVANS—Have we publicly announced those new projects?

Mr Nott—Yes, they are all out.

Senator CHRIS EVANS—Perhaps you could send me a copy of the press release. They are probably all on there.

Mr Nott—Sure. Minister Anthony announced it about two weeks ago.

Senator CHRIS EVANS—Did he? I missed that one. There were a couple of elections and things. That is all I have on output 1.1.

Senator WEST—Is this where premarriage education vouchers would come in? I am wondering how many couples to date have been involved in the premarriage education voucher program?

Mr Nott—From memory, it is around 1,250 couples who received and used vouchers.

Senator WEST—Could you provide a breakdown of the figures by location, please?

Mr Nott—I can give you those figures now, if you can just hang on. No, I will take it on notice. Sorry.

Senator WEST—Thank you. I am wondering in how many locations were, or are, vouchers currently available.

Mr Nott—The vouchers are no longer being issued. There is an evaluation report which is being finalised for both the vouchers and the associated premarriage education kit. We are looking to brief the minister shortly on the outcome of the evaluation.

Senator WEST—So the program is complete?

Mr Nott—Yes.

Senator WEST—When did it finish?

Mr Nott—The vouchers were finished at the end of October.

Senator WEST—What is happening with the kit?

Mr Nott—We still accepted redemptions of vouchers until Christmas.

Senator WEST—Okay.

Mr Nott—And the kit was, I think, issued until around October-November as well.

Senator WEST—When do you expect the report to be publicly available? I am hoping that it is going to be publicly available so that we, along with the minister, can assess the efficacy of the program.

Mr Nott—I hope that will be available shortly.

Senator WEST—Thank you. What is the total cost of the program to date?

Mr Nott—It is just under \$1 million, just under the budget—\$970,000.

Senator WEST—I want to know what the monetary value of each voucher was. I am wanting to know what the operational funding, printing, publications and advertising was, please.

Mr Nott—I can give you those numbers now, but it might be better to give them to you on notice.

Senator WEST—Okay, thank you. It will ensure accuracy. I am not being nasty or anything. They would not mean a great deal to me when you rattled them off.

CHAIR—We will move on to output 1.2, youth and student support.

Senator WEST—Thank you very much to the officers for output 1.1.

[7.44 p.m.]

Senator WEST—Can I ask about youth allowance evaluation? I understand that there is an evaluation process each year for the youth allowance. Is that correct?

Ms Rushton—There is a youth allowance evaluation that was begun a while ago and there was an interim report published last year. The final report of that is due at the end of this year.

Senator WEST—The end of 2001?

Ms Rushton—Yes.

Senator WEST—Were there any changes that took place as a result of the interim report?

Ms Rushton—No, there have been no changes directly from the interim report, just the findings published in that report.

Senator WEST—In 2000-01, can you tell me what is the total amount budgeted for information campaigns, resources targeted at young people with the purpose of explaining their rights and obligations as youth allowance recipients?

Ms Rushton—I would have to take that on notice.

Senator WEST—Thank you. How many young people were consulted as part of the interim report and youth evaluation, and the final report?

Ms Rushton—I am sorry, I will have to take that on notice as well.

Senator WEST—Were any young people—

Ms Rushton—Yes, there was a variety of studies done—surveys, et cetera—but I do not have that detailed information here with me.

Senator WEST—Who is undertaking the work to write the report? Who undertook the work to provide the interim report and write the interim report? Was that done in-house or was that out to consultants?

Ms Rushton—No, there were a couple of different consultancies for that. Sorry, I will just find those for you. There was work done by the Eureka Strategic Research company looking

at the family response to youth allowance. There was work done by Woolcott Research to look at student customers and non-student customers of youth allowance and Austudy. They are listed in our annual report.

Senator WEST—Okay. And what consultancies have been let to undertake the final report draft?

Ms Rushton—At the moment, we have the ACER contracted and they are working with us to look at some longitudinal data.

Senator WEST—Some longitudinal data? How long is longitudinal?

Ms Rushton—I believe that began at the beginning of the youth allowance program and will go on through the period of the evaluation.

Senator WEST—So that—

Ms McKay—It is that third phase of survey of longitudinal data that has yet to be let. Two previous phases have been conducted. The third one has not been let at this stage.

Senator WEST—If it is going to be completed by the end of this year, you must be getting somewhat close. Is that third longitudinal study going to be incorporated into the final report?

Ms McKay—Yes, that is the intention.

Senator WEST—What processes are under way to make sure you have got the consultants organised and up and running?

Ms Rushton—It is a fairly limited field of people who can do this. So there are negotiations with the experts to get them on board and to do the analysis on that data.

Senator WEST—So negotiations are currently under way?

Ms Rushton—Yes.

Senator WEST—When do you expect to have that contract let?

Ms Rushton—Shortly.

Ms McKay—Phase 3 is basically planned for March and April.

Senator WEST—Do we know how much phase 3 is going to cost?

Ms McKay—Yes, we do, but we will have to take it on notice.

Senator WEST—That is okay. You just mentioned phase 3 and I thought, ‘Phase 3, okay, cost.’ So those changes in the Youth Allowance arose from the first interim evaluation and we are going to have the final one at the end of this year. In relation to the Youth Homelessness Pilot Program—this was to test early intervention models designed to improve the level of engagement of homeless young people and those at risk—and also the reconnect program, the youth activity services program, the youth activity services, the family and liaison worker program and the Youth Allowance, I am wondering if you can provide the forward estimates for those payments and programs over the next four years?

Ms Rushton—They will have to go on notice.

Senator WEST—Thank you. In terms of the Youth Pathways Action Plan—this was one of the key recommendations of the Prime Minister’s youth homelessness task force—the draft report was provided in August of 2000. I understand that there has been consultation and presentation sessions held in all states and territories since then and the final report was presented to the government on 15 January. Is that correct?

Ms Rushton—I think that is correct, yes.

Senator WEST—And FACS and DETYA are now working on a government response?

Ms Rushton—Yes.

Senator WEST—What is the progress to date? Where is the report now?

Ms Rushton—It is being considered.

Senator WEST—Has the minister seen the report?

Ms Rushton—Yes, I believe the report went to the minister.

Senator CHRIS EVANS—Say, ‘Yes, Minister.’

Senator WEST—Do you have youth, Minister, in your area of direct responsibility?

Senator Vanstone—The youth minister is Dr Kemp.

Ms McKay—The Youth Pathways Task Force was a joint FACS and DETYA exercise reporting to both ministers. So the report of the Youth Pathways Task Force has been made to both ministers. It was made to Dr Kemp and Senator Newman in January. But ministers need to consider what the government response is going to be and then it needs to be considered by the government. Both ministers are involved.

Senator WEST—I was not wanting to spend too much on this, Senator Vanstone, given you have had three weeks in the portfolio, but I am wondering what stage your consideration is up to and where it is moving?

Senator Vanstone—The consideration is quite new.

Senator WEST—In the last five or 10 minutes or something?

Senator Vanstone—No, I have a brief. In fact, it is one of the things I have been looking at over the last few days in here. But there is more work to be done. So the short answer is that it is under consideration.

Senator WEST—Do you have any idea what the time line is going to be on the consideration?

Senator Vanstone—No, because it involves other people. It interrelates to not only other people but to some other matters, and they may take longer to resolve. So it might be part of a sort of Scrabble game that takes a bit longer than it would if you could consider it in isolation, which I do not believe you can. I do not believe I can properly do it, anyway.

Senator WEST—What was the cost of the task force to the Family and Community Services budget?

Ms McKay—It was calculated at about a million dollars, of which half was absorbed by the Family and Community Services portfolio and the other half by DETYA. It is probably going to come out at a bit more than that because the task force has taken a longer period than was originally budgeted for. But all the costs are being absorbed by both departments.

Senator CHRIS EVANS—I think that is it on 1.2.

Senator WEST—Can you just give me a minute to have a think and read this?

Senator CHRIS EVANS—There is no ongoing funding allocated for response to the Youth Pathways Action Plan yet, I gather?

Ms Rushton—No.

Ms McKay—That is under consideration.

Senator CHRIS EVANS—It is determined on what the minister decides. I was just wondering if they had allocated any other budget.

Senator WEST—Is it possible to have a stacking of the income test for the Youth Allowance with other allowance types, resulting in an effective marginal tax rate of more than 110 per cent—the problem that was identified in the McClure report—and producing disincentives to move from welfare to work?

Ms Rushton—I certainly think I would have to take that on notice unless there is someone terribly clever who can answer it.

Mr Kalisch—Yes, that is possible.

Senator WEST—As I understand it, that was identified in the McClure report as an example of poor design producing disincentives to move from welfare to work. Is that correct?

Mr Kalisch—That is correct. That disincentive has been in our system for a number of years now.

Senator WEST—I am not disagreeing that it might not have been there for a number of years. Now that it has been identified, though, will this be rectified as part of the welfare reform package? What is going to happen with it?

Mr Kalisch—We are currently considering options around how to alleviate the problem, but it is quite an expensive problem to fix.

Senator WEST—I see. Is there any time frame on when we are likely to see the results of the work?

Mr Kalisch—That would have to be a matter for the government to consider in its future deliberations on welfare reform.

Senator WEST—Tied up with the welfare reforms?

Mr Kalisch—Yes.

Senator WEST—Has the question been asked, Minister, as to when we are likely to see the results of the final deliberations on the welfare reform?

Senator Vanstone—Yes, it was asked. Senator Bartlett asked it in the chamber in the first week. He wanted to know where the dollars are and I indicated that that would be in the budget context. So very little, I would expect, if anything, would be made public before then. It is obviously under very active consideration. I told him that the welfare reform group had met three times, at least formally—they may have had other informal discussions. On each occasion they have met with both ministers and had a considerable portion of the day meeting on their own and with advisers. My personal assessment is that they have put an enormous amount of work in and helped to shape a package, which is not finalised. I hope it is one in the end that everybody is happy with.

The point I made to Senator Bartlett was simply not to look just at the dollars. I do not say that to mean that I think there will be some paltry sum associated with it but really to look at what happens with the dollars. Governments can always add on money and not actually make a terribly big difference. I hope when it is assessed people look at how the dollars have been spent rather than just the sum total.

Senator WEST—Working back in the time frame, given that the budget is May and we have the Easter break, you must be getting reasonably close to being able to take something to cabinet or ERC in the next few weeks.

Senator Vanstone—As I say, it has been under active consideration. It is not as if this was something that was announced in December and people have had a mad scramble to get things done. The general outline of reforms has been clear for some time. What we are engaged in now is a process of refining that down and down to get details right.

One thing I did mention, I think, to Senator Bartlett the other day that I have not mentioned yet—and so I should—is that if you want to considerably change the system it can take a number of years. There is no package that any government can put together in one year and say, ‘Right, that will fix the welfare system’, and take it to the point that we would all be happy. There are two reasons for that: one would be budgetary. However good the circumstances were, or however poor, you still could not do it all in one year. The more important reason is the nature of the change. When you have people on particular benefits, especially those in older age groups or those who have spent, say, half a decade under certain circumstances, it is just not practical, let alone caring, to say, ‘We are going to change all of that tomorrow.’

There will need to be significant phasing of some things and on other things there may need much more discussion before we can get to a final resolution; so you would not do them in the first round, as major as that round might be. There might be some big things about which you would have to say, ‘This is going to need a lot more discussion, and if we are going to change this we had better get it right.’ The paper changes here are, relatively speaking, easy. What happens is that people get their circumstances changed, and that is harder to explain to everybody and to understand and get right.

The government has made it clear that welfare reform is a big part of its commitment this year, so you should expect nothing paltry. But you also should not expect a one-stop shop where it will all be fixed, because I do not think, practically, anyone who tells you they can do that is telling you the truth.

Senator WEST—Thank you, Minister. That is all I have on 1.2.

[8.00 p.m.]

CHAIR—We move to output 1.4—child care support

Senator CHRIS EVANS—First of all, could I ask about the accreditation review? I see that it received some splash press in the Sunday newspapers. Could you advise me of the facts of the matter in terms of the release of the review and the timetable of that?

Ms Corbett—The review of the quality improvement and accreditation system, QIAS, for long day care centres sector was conducted by the Commonwealth Childcare Advisory Council and reported to Minister Newman in the year 2000. Minister Newman accepted a large part of the recommendations and she has written to the chair of the National Childcare Accreditation Council to task that council with the implementation of the new QIAS. The target date for implementation is the commencement of 2002, and the direction of the changes has been very widely accepted within the child care field. The changes involve simplification of the system, clarification of the principles and an improved process in a number of regards in relation to the impact on services and the outcomes for quality of child care for children and families. We are optimistic that the new system will actually be well regarded, and we are of the view that what was covered in the press was unfortunate and quite misleading.

Senator CHRIS EVANS—I was rung for comment on Sunday morning and, having read the *Sunday Times*, I declined to get into the debate, because it did not seem to be anything that I knew about. I am just not clear in my own mind. What are we implementing? Is it the minister's decision, the council's recommendations or the accreditation council's version? It is not clear who has actually said at the end of the day, 'This is what we are implementing.'

Ms Corbett—I am happy to try and clarify that for you. It is quite a complex system, as you know, and it was quite an elaborate process of review. The task that the Commonwealth Childcare Advisory Council took on was to review the system and to make recommendations about the structure and the change overall in the principles guiding the system and how the system should be delivered in broad principle. The task that the National Childcare Accreditation Council needs to take up from there is the development of measurement tools, the development of training materials and information products for families and for services, and an educative process beyond that for the community so that by the time implementation occurs a lot of the questions of detail are clarified. That process is now advanced and progressing well. The principles that were adopted by Senator Newman are a simpler set of guidelines, a single period of accreditation, rather than the option of one, two or three years of accreditation—

Senator CHRIS EVANS—Has that period been recommended?

Ms Corbett—Yes. That period was 2½ years, as was widely discussed in the consultation phase and accepted by the field.

Senator CHRIS EVANS—You mentioned the principles of a more simple system. Have those principles been articulated or are they to be developed?

Ms Corbett—The principles have been articulated in 10 broad quality areas. Very shortly the NCAC will be making more widely available a clarification of the 10 quality areas and that will be in the form of, in essence, three or four dot points that clarify what each of those 10 quality areas will look like. The press on the weekend described those dot points as 40 principles, and they can be seen that way. So within each of 10 quality areas there are about four clarifying statements that explain to people what is meant. There will be a lot more explanatory material than that for the service providers, community and families by the time the system actually is in operation.

Senator CHRIS EVANS—Can I reassure Senator McGauran, before he gets carried away, that Christmas carols will be allowed under the new accreditation principles?

Ms Corbett—You can indeed.

Senator CHRIS EVANS—I think we ought to do that. In fact, I might invite the minister to write directly to Senator McGauran on that subject, before it gets out of hand again.

Ms Corbett—I should perhaps clarify that Christmas carols have never been banned by the accreditation system.

Senator CHRIS EVANS—I am well aware of that, but facts never interfere with a good yarn. So you are still aiming for the start of 2002 for the new principles?

Ms Corbett—Yes.

Senator CHRIS EVANS—Has the question of compliance with the QIAS system been addressed as part of that? One of the concerns I have expressed to you before is that centres that do not meet standards do not seem to be brought up to standard as quickly as is required. My concern has been that we are constantly consulting and advising, and people continue to

be below standard. I think the quality issue is one that is emerging more in the community as well. So is there a change in approach in terms of that?

Ms McKay—There has already been a change in approach to that. We are implementing sanctions against services that do not comply with quality improvement and accreditation standards. Progressively we have done that since, I think, the second half of last year. There are a whole series of steps that have to be gone through, but services can lose their accreditation for child care benefit purposes.

Senator CHRIS EVANS—Have any got to that stage of removing child care benefit entitlements?

Ms Corbett—Yes. We have written to a number of services who were not complying or had failed to achieve an accreditable standard—about 40 centres in all. Of those 40 centres, some 30 complied within a very short time of receiving correspondence from the department to say that their child care benefit was being considered for suspension. There is one service only that at this point has had their child care benefit suspended for non-compliance with the QIAS.

Senator CHRIS EVANS—Which one is that? Is that publicly available?

Ms Corbett—I can give you the name of that service, and it would be available from the NCAC. The service concerned is Little Folks Child Care Centre in Oakleigh, Victoria.

Senator CHRIS EVANS—What happened in terms of the impact of the sanction? I am just trying to get a feel for my other area of interest, which is aged care. We have had a huge debate about the effectiveness of sanctions and who they hurt and what is effective as a sanction. I am just interested in what your experience with this one has been.

Ms McKay—Our experience has been that services who have been non-compliant for a long time have suddenly become compliant. There has been a very strong response from services and you could therefore say that the credibility of the QIAS has been substantially strengthened.

Senator CHRIS EVANS—I did not think it would take much of a warning shot, given the percentage of income that is derived from the child care benefit for the centre to operate. It would have been a fairly serious threat. But in terms of the place that you actually removed CCB entitlement from, what was the impact there?

Ms Corbett—We have not had any direct correspondence from the parents affected, but we have certainly taken it up in direct correspondence with them. It is possible, though I cannot confirm it at this point, that this was a centre that was suffering from competition and may well have been winding down its operations in any case. Certainly, parents in that particular area have a number of other long day care options; so we assume at this point that some of them may have exercised those options and that in the main there has not been a problem about access to child care. As I say, we have not at this stage heard any complaints from families. They did have a lot of warning. They were encouraged to talk to the operator of that service and to see if compliance with the QIAS was a serious possibility for that service before we got to the point of suspending CCB.

Mr Powlay—We do advise the parents in advance of taking the action to suspend. The parents would have had plenty of notice to sort through their child care options.

Senator CHRIS EVANS—I appreciate that. Has any consideration been given to a post sanction survey interview of parents?

Ms Corbett—No, we have not considered that option at this point.

Senator CHRIS EVANS—I just suggest that it might be useful to get a bit of a feel for how that works. As you say, if it is an area where there was a lot of competition it is probably less of an issue than if you sanction a provider that is going to provide in a remote community. But it would be interesting in a public policy sense in terms of what effect that sanction has, what the reaction of the parents is and what then happens to the children. I do not have any particular axe to grind on this other than that we are all going to be interested to know what works in terms of implementing a quality system. Hopefully, you do not have to get to that stage with many, but I think it would be worth while at least having a bit of an understanding of what the impact of the sanction was. Anyway, that is just a suggestion. We expect it to come in in 2002. In the meantime, people will be required to meet the existing accreditation standards?

Ms Corbett—That is correct.

Senator CHRIS EVANS—Does that require any change to legislation or regulations?

Ms Corbett—No, there has not been a necessity to change legislation and there is not likely to be. The one thing that was changed through legislation was the arrangements we have just been discussing about sanctions, and that was actually done at the time we brought in the CCB system as part of tax reform.

Senator CHRIS EVANS—Mr Powlay, I think you are involved in reconciliation problems of the benefit. There was some press in Tasmania about centres and reconciliation problems. Have they been solved?

Mr Powlay—I think the article you are referring to in Tasmania relates to the process by which child care services account for the advances of child care benefit they receive. It is probably useful for me just to explain that system to you briefly. The way that child care benefits operate when they are paid as fee reductions through the service is that child care services receive a monthly advance, which is an estimate of how much child care benefit parents using that service would be entitled to. They use that advance to provide fee relief to the parents and each three months they are required to account for that advance by submitting details of what parents have used child care benefit and how the entitlements were calculated. When they submit what we call a statement of payment, Centrelink processes those statements.

The introduction of the child care benefit has meant substantial change to the way those statements are processed, including the introduction of a new computer system. It has meant some training and new requirements for services in terms of preparing those statements. As a result, processing of those statements has been delayed more than usual. That has not had any significant impact financially on services because, as I said, they operate on an advance system and the advances have continued to be paid. It is just that there has been a delay in processing those accountability statements. In some cases where the demand for child care has increased more than was anticipated when the advances were paid services have had to be paid additional advances to help them out.

Senator CHRIS EVANS—I am advised that some of the disputes are still about last July's payments; is that right?

Mr Powlay—That is right. Some services still have not had their accounts fully finalised for July. In some cases that is because of difficulties that they had in presenting the information to Centrelink and in some cases it is because the account, if you like, has been

processed but there have been some errors or queries that Centrelink has gone back to them with which require them to submit a supplementary claim.

Senator CHRIS EVANS—So are we likely to have these things resolved shortly? It is a long time since July to still be trying to resolve those claims.

Mr Powlay—It is a long time since July in some respects and not in others. Services normally have three months to submit these statements. Already we are talking September before the claims are submitted. In this case, given that the child care benefit is a new system, we have been lenient in terms of enforcing that three-month deadline. Some services obviously did not get their statements in by the September quarter. But it usually does take Centrelink some time—or it did under the old system—to go through that process of acquitting those claims. It is just that obviously with a new system it took a little bit longer than usual. Things are improving. I think if Mr Tidswell were here he would say that Centrelink is very optimistic about—

Senator CHRIS EVANS—You probably now regret blaming Centrelink for it all a minute ago, do you? Mr Tidswell is still here.

Mr Powlay—I was sure he was here; I was surprised not to see him at the end of the table.

Senator CHRIS EVANS—Firstly, who owes whom? Do you owe them or do they owe you?

Mr Powlay—It could be either way.

Senator CHRIS EVANS—I suspect the ones who are complaining are the ones who are owed?

Mr Powlay—That is correct. I have not heard from any that owe us money. In general, as you are probably aware, the impact of the new child-care benefit has been a significant increase in usage in most child-care services. So there probably are more services which have been owed money than have owed money, certainly for that July-September quarter. As I said, in those situations Centrelink has been able to provide additional advance payments to those services.

Senator CHRIS EVANS—Is there anything you want to add?

Mr Tidswell—Only to reiterate that we are able to pay providers according to their usage, and we have been across the country. In respect of finalising the services that have lodged their July to September claims, we processed about 91 per cent of those. Recently, as the providers get used to the system and lodge their forms and their disks correctly, we are increasing our processing capability. So we have operational people putting emphasis on it and our technical people to get it right. I am confident that we are going to get through the backlog and then we will find a much speedier process and quicker turnaround for providers.

Senator CHRIS EVANS—Is that because of a technical problem or because people have completed the forms wrongly?

Mr Tidswell—We have a combination of problems, like in any implementation, in terms of providers providing information with errors in it. We have had some software providers providing information with errors in it. We have had some technical difficulties with the new system. As Mr Powlay has said, we have had upsurge in usage so we have more families on the books.

Senator CHRIS EVANS—Mr Powlay, I understand there have been some problems with the out of school hours care services as well. Is this the same problem or a different problem?

Mr Powlay—My understanding is that it is the same problem. I had some discussions with the national out of school hours service organisation last week on this issue. I think the problems that they were raising at that time were the sorts of issues we have just discussed and I was able to give them some assurance and suggest some ways that they may communicate what services need to do if they find themselves in a difficult situation.

Senator CHRIS EVANS—I raised it with, it might have been, the local service and they made the point that the out of school hours care services are run on much smaller cash flow and some of them are quite small outfits. For them it was a much more pressing problem. I am not saying a number of child-care centres operators have raised with me concerns about the impact on them. But, as I say, for out of school hours services it is even more of a problem. Some of them are on very small margins and have very little cash backing them up. I think they would be quite sensitive to any delays in payments and problems in that regard.

Mr Powlay—Centrelink is able to turn around requests for additional advances very quickly. Your description of out of school hours services is certainly fairly accurate for a lot of the services, and the issue is more that some of those services do not have an adequate grasp of their own cash flow.

Senator CHRIS EVANS—I think the extra complexity of the book work and the computer systems has been quite a shock to a few of them. They are run by volunteers and someone has done the books.

Mr Powlay—If they do not have a grasp of their cash flow they can get surprised when attempting to write a cheque when the money is not in the bank or something of that nature. But, as I said, in those circumstances it is simply a matter that they need to ask for an additional advance and Centrelink can turn around, and has turned around, those requests very quickly.

Senator CHRIS EVANS—Can I ask about Kinder Cams and what the department's attitude has been to—in this case, Kinder Cams; that is what the local bloke calls himself—surveillance systems and people marketing internal video surveillance of children at child-care centres with people being able to access it on the Internet, that is, watch their child while they work? This is being marketed quite aggressively around Australia at the moment. Have you considered whether there are any issues there in terms of departmental policy and/or regulations?

Ms Corbett—We are aware of the commercial product you refer to and aware that it is being marketed. We have not at this point adopted any policy position or made any statement about that product. I think that there are many, many products and, increasingly so, forms of assistance for the early childhood field. Whether or not services take up those options is largely a matter of their business decision about how they wish to offer service to their families and children. It has not been raised with us as either an issue relating to quality assurance and accreditation nor through any of the state governments as a matter relating to licensing. However, I would acknowledge that those issues may come if people find that the product is in any way used unwisely or unfairly. I am interested to see how it evolves. It is a product on the market that child-care service operators may choose to invest in.

Mr Powlay—For my part I just mention that, although I cannot recall whether it is the particular company of the name you mentioned, I am aware that we have had at least one request from a private company that was seeking to offer a similar service for details of child-care providers that we fund. Just as we do with other such requests from private companies, we refused.

Senator CHRIS EVANS—Clearly, they only need to find a phone book to do that. Perhaps it is worse in Western Australia. Certainly, it has been marketed very strongly around the place. I guess as an old civil libertarian I always react badly to the idea of video cameras in places. But there are obviously some issues with the children and industrial issues in terms of staff. I wondered whether it was something you had under active consideration. I am not pretending I have got the answers but—

Senator Vanstone—Just as a matter of interest, I understand the issues that you have raised. But they can be resolved. Customs is moving to complete this year closed circuit coverage of a number of ports. Obviously, that had to be sorted out with the relevant unions. They are quite happy with the arrangements we have come to. I think you get into problems when you just whiz in some cameras and do not tell everybody where they are and when they are on. But those issues can be resolved, not just for customers but for other law enforcement areas. They can give law enforcement a chance that they will not have if we allow everything to go unnoticed. Those issues just have to be worked through. That is all.

Senator CHRIS EVANS—I guess there is a public policy issue as to whether that is appropriate in children's services.

Senator Vanstone—Would you want to watch your kids while you were at work?

Senator CHRIS EVANS—No.

Senator Vanstone—Perhaps I will not go on with that.

Senator CHRIS EVANS—That is why you send them to child care. That is why I am a great supporter of child care.

Senator Vanstone—How old are your kids?

Senator CHRIS EVANS—Just finished the child-care stage. And I am a great supporter of the former Liberal government's move to preschool education in Western Australia. But they did not get any credit for that two weekends ago. Can I ask about the roll out of the flexible care program, Ms McKay, and how that is going?

Ms McKay—I will ask Ms Corbett to answer that. She has a great deal of detail about progress on the roll out.

Ms Corbett—There are a number of measures involved. Would you like me to give you a brief overview?

Senator CHRIS EVANS—Yes, I would appreciate knowing where it is going. That would be good.

Ms Corbett—The in-home care measure is one that was announced in the last budget, and it has been the subject of a lot of discussion. It has been a popular move with families, and there is a lot of interest in it from service providers. We have gone to the point of advertising a number of places state by state for services to offer a way to meet the in-home care service model, and we are just in the process now of approving the first services to offer that new form of support.

It is, as you probably understand from the budget material, a service type that we are targeting very much to gaps in the existing market. So in-home care is to be made available to families that cannot, for one reason or another, make successful use of the existing formal child-care options. They may be families in rural and remote areas, families on farms. They may be families where either children or parents have disabilities or terminal illness in

circumstances that make mainstream child care not an option. It may also be a model that will be very helpful for shift workers and for workers who are on an on-call basis.

The in-home care model is progressing well, and there are a number of families already making use of that model, so we are optimistic that that roll out will go very much as it was foreshadowed in the budget. There will certainly be, we expect, 800 places available within this financial year and a roll out of a substantial additional number of places over the next three years.

Senator CHRIS EVANS—Am I wrong in assuming that some programs have already got up and running?

Ms Corbett—No, some programs have indeed got up and running. Some family day care schemes were offering in-home care last year, and that was an acceptable model for them within the family day care guidelines.

Senator CHRIS EVANS—I think I ran into one in Longreach which seemed quite innovative, but they also seemed to be well in front of any regulation or departmental guidelines; they just got on with it, which is not a criticism, but it just seemed like there had been some authority to get on and start, basically.

Ms Corbett—Yes. They do have some authority certainly from us as an approved model where they are involved with the family day care scheme, and the family day care scheme will ensure some quality and certainly some back-up support.

Senator CHRIS EVANS—This was a good provider who ran a long day care and a family day care, and they had a go-getter director base and they were off and doing it. Are there a few of those out and running already?

Ms Corbett—Yes, there are a few out and running. There have been a few that have been out and running for at least six months now. But the new ones that were part of the budget measure are the ones that we are currently approving, and they are extensions on some of the services that the family day care schemes were offering.

Senator CHRIS EVANS—How many of them will be approved?

Ms Corbett—There will be 800 places within this financial year, up to June 2001. In the subsequent year, we expect another 2,500 places.

Senator CHRIS EVANS—Will they mainly be run out of family day care?

Ms Corbett—There will be a range of service models. Family day care is very interested, and certainly some of the strong contenders in the first round of approvals have come from existing family day care schemes. However, as you say, there are other service providers interested in this. Some of the private for-profit long day care centre operators will come in to this market, and there are some other agencies that have operated as placement agencies for in-home care staff that have applied to come in for approved places in this model.

Senator CHRIS EVANS—How are you going to fund it? The concern always about in-home care was that it was a great idea, but how do you fund it if it is one on one? With the one I ran into, there were sharing arrangements and multiple children, and there was some question about whether award rates were applying as well, I think, in some of these, which is an issue I think you will confront, from what I have seen. But it did not seem to me that the economics of one family in one home was going to work, unless you are providing a different subsidy rate.

Ms Corbett—At this stage the subsidy rate that we are providing is exactly on the same model as the family day care scheme. That does mean that, if a family wants to make use of the in-home care model for one child at home, the gap that they will have to cover in the way of a fee is going to be quite substantial. So the model will be much more suitable for situations where there are two or three children, and that is the reality of the way that we are funding it. It has been raised with us that we should look at other funding models, and at this point of time we are not considering that, but we will be monitoring what is—

Senator CHRIS EVANS—The family day care funding model will apply whatever the type of scheme for the in-home care; is that right?

Ms Corbett—That is exactly right.

Senator CHRIS EVANS—Mr Powlay, do you have anything useful to tell me in the sense of usage figures? I know there has been an increase in demand since 1 July. Last time we talked we were not able to quantify it. I just wonder whether the statistics that come through the system have given you any useful information yet.

Mr Powlay—Yes, I can give you some usage figures. We conducted specific surveys in April 2000 and in October 2000 to basically get a snapshot of usage before and after child-care benefit.

Senator CHRIS EVANS—What sort of survey was that? It was like a sample, was it?

Mr Powlay—They were sample surveys. The sample size for long day care centres was 2,254 centres. For outside school hours care it was 1,445 services. In addition to that, we used a facility in the software system used by family day care schemes to survey their usage in April and August of this year, and that involved 227 family day care schemes, or about 68 per cent of Australian family day care schemes. What we found was that the number of children using long day care has increased to 367,000 in October 2000 from a base of 300,000 at the last survey.

Senator CHRIS EVANS—Is that an April to October figure?

Mr Powlay—That is May 1999 to October 2000. I will just find you the—

Senator CHRIS EVANS—You are confusing me. I thought you told me you did one in April and one in October.

Mr Powlay—Yes. I will just find you the April to October figures. I have them. It is 312,000 in April 2000.

Senator CHRIS EVANS—So 312,000 to 367,000 on the survey—

Mr Powlay—In October. The utilisation in outside school hours care remained fairly static. As to the number of children—I have only the figure from 1999 to 2000, and it went from 107,000 in May 1999 to 124,000 in October 2000.

Senator CHRIS EVANS—Why don't you know the April figure?

Mr Powlay—I am not sure. I can provide you those on notice if you wish.

Senator CHRIS EVANS—There were changes to funding to out of school hours care earlier in the piece, weren't there?

Mr Powlay—There were, and outside school hours care has been on an increasing curve, if you like, since that time.

Senator CHRIS EVANS—Yes, but it would not necessarily have had much of an increase as a result of the changes in July, intuitively, but I just—

Mr Powlay—As I said, if there had not been an increase, we would not have been hearing from them in relation to the processing problems that we discussed earlier.

Senator CHRIS EVANS—For out of school hours care?

Mr Powlay—Yes, because they were given advances based on past usage.

Senator CHRIS EVANS—Do you have a figure from the April survey somewhere?

Mr Powlay—I have, but it is fairly static from April to October—reasonably static.

Senator CHRIS EVANS—You do not have the figure with you currently.

Mr Powlay—I just cannot find it at the moment. In the case of family day care, there was a 9.7 per cent increase in the number of children. It went from 86,700 in April to 95,100 in August. That is probably unlikely to fully reflect the impact of child-care benefit, because—

Senator CHRIS EVANS—That was August.

Mr Powlay—It was August rather than October. The other thing we can say is that on utilisation our figures show that the utilisation rates in long day care centres have gone from 74 per cent in April to 87 per cent in October. In family day care, there has been a similar increase, but it is difficult to measure utilisation in family day care for reasons that you would understand, and for before school hours care the utilisation rate has remained reasonably static. I guess what that is saying is that the growth in outside school hours care has come more from new services taking up extra places than existing services filling up.

Senator CHRIS EVANS—The figures on the survey, they are quite large survey samples.

Mr Powlay—Yes.

Senator CHRIS EVANS—I can see that. But are the figures that you have given me an extrapolation?

Mr Powlay—They are weighted figures.

Senator CHRIS EVANS—So they are not just the figures for that service—

Mr Powlay—The size of this survey in terms of statistical validity is very large.

Senator CHRIS EVANS—Much better than political polling, I can tell you.

Mr Powlay—Better than the ABS.

Senator CHRIS EVANS—But that was also balanced for national and rural and regional?

Mr Powlay—Yes, that is right. It was not a random sample.

Senator CHRIS EVANS—Who did the survey?

Mr Powlay—The survey indication of long day care centres and outside school hours care centres was done by a company called Datacol.

Senator CHRIS EVANS—Data?

Mr Powlay—Datacol.

Senator CHRIS EVANS—And they are a research polling company?

Mr Powlay—They are and they have done some work for us previously. The family day care survey we did, as I said, internally, but with the assistance of the software company that provides services to family day care.

Senator CHRIS EVANS—You will get confirmation of those figures when you get the child care benefit results at the end of the financial year?

Mr Powlay—We are already getting some confirmation of those figures through the acquittal claims that services put in at the end of the quarter, and that is through Centrelink. That is how we get an actual count rather than a survey.

Senator CHRIS EVANS—So you will basically be able to produce quarterly figures on children in care, basically?

Mr Powlay—We should be able to have figures updated quarterly available probably within about five months of the end of the quarter, given the processes we are involved in.

Senator CHRIS EVANS—Okay. Thanks for that.

Senator WEST—On the issue that probably continues on with this topic, it is the caravan park.

Senator CHRIS EVANS—I think that we have finished 1.4.

Senator WEST—I want to ask about the family caravan parks crisis child care pilot projects. So is that under 1.4?

CHAIR—It is under 1.4.

Senator WEST—Yes. On 17 January this year, Minister Newman announced the government would be funding a series of these pilot projects totalling \$740,000. She named the states the projects would be piloted in as Queensland, South Australia and the Northern Territory; is that correct?

Ms Corbett—That is correct.

Senator WEST—Yet less than a week after that, we had a junior minister in the portfolio announce the same pilot would be trialled in the Tweed Valley. Is that correct?

Ms Corbett—That is also correct.

Senator WEST—Is that coming out of the \$740,000, or is that coming from another source?

Ms Corbett—We are still in a process of negotiating the final budget for that component of this project, but we expect that we will be allocating some further funding for that component.

Senator WEST—Is it not a bit strange that the Tweed Valley is actually in his electorate?

Ms Corbett—The Tweed Valley has a very high proportion—

Senator WEST—I know it has a large caravan population. My understanding was that most of those caravan park populations tended to be over the age of needing child care for themselves—maybe for their grandchildren—but the demographics of those caravan parks, I thought, was heavily weighted in the other direction of older people.

Ms Corbett—I believe that it is correct that there is a large proportion of older residents in those caravan parks, but our understanding is that there is also a significant population of families and that some of those families are in pretty hard circumstances. There is a high

unemployment component in that region and we are certainly interested to see what we learn from piloting this particular project in the Tweed area.

Senator WEST—So the Tweed Valley pilot is actually going to require additional expenditure on top of the \$740,000?

Ms Corbett—There will be a further allocation of funds to that project, yes.

Senator WEST—I know when the announcement was made, but when was the decision made to pilot the Queensland, South Australia and Northern Territory part of the pilot program?

Ms Corbett—There was quite a process of discussion with the sponsors and the organisation that we are partnering with in managing the action research component. So the development of the project has actually been ongoing for a number of months—something more than six months.

Senator WEST—So who is sponsoring and who are you doing the research with?

Ms Corbett—Our major partner in this project is the national dissemination program at the University of Newcastle. They have experience in this sort of action research and quite a longstanding involvement with communities in caravan parks, among other groups. So they are working with the sponsoring organisations that will provide the child care component for this particular pilot. The exercise of developing the project up did involve looking at where part of the national dissemination program at the University of Newcastle and sponsors with suitable play group experience and an understanding of working with families in crisis could be brought together to offer service in particular regions.

Senator WEST—Do we know who the sponsors are?

Ms Corbett—We do know who the sponsors are, certainly, in those areas. In the Northern Territory and South Australia they are the state based play group associations, and in Queensland the Save the Children Fund is the sponsoring organisation.

Senator WEST—What about in the Tweed? Does the University of Newcastle have any involvement in that one being included?

Ms Corbett—No, what we were looking for there to couple with the experience of the national dissemination program is an organisation that has the child care capacity. In fact, the Save the Children Fund in Queensland is the sponsor we are negotiating with for the Tweed project.

Senator WEST—But it was not part of the university research program that was being undertaken in the lead-up to the Queensland, South Australia and Northern Territory projects?

Ms Corbett—No, it was not in the initial package of proposals that were approved and announced; it was something that we were able to achieve through further discussions.

Senator WEST—Who initiated the discussions? Where did the idea for including the Tweed come from? From within the department or from outside the department, initially?

Ms Corbett—Initially, the issue of whether something in New South Wales was feasible was investigated at an early stage. We were pessimistic about doing it because we could not at the early stage find a New South Wales sponsor who had the suitable expertise in the child care area. The New South Wales Play Group Association was not well placed to be involved in this, for instance.

Senator WEST—What about Lady Gowrie and their mobile centres—their expertise?

Ms Corbett—To be honest, I cannot tell you whether they were approached about this particular project or not. They may or may not have had expertise to run play groups on a mobile basis.

Senator WEST—So New South Wales was eliminated as a possible pilot area at a fairly early stage?

Ms Corbett—We were not—

Senator WEST—You concede you had two other states and a territory.

Ms Corbett—We could see three areas where we could easily bring together the major partner and a suitable sponsoring organisation and we could get this project up and running in three locations. We had not given up on the possibility of other sites becoming involved with this. The Tweed was one in that category, and we are pleased that the Tweed is able to be included in it.

Senator WEST—How did the Tweed get selected? Who did the selecting? Was it done at departmental level or at ministerial level?

Ms Corbett—The decisions and the approvals for this project are at departmental level. So I actually hold the delegation for that and the decision is mine about the final packaging of this money, within a parameter set by the minister, Minister Newman having made a general provision for the development of a family crisis pilot some time late in 2000.

Ms McKay—That was in caravan parks. Minister Newman actually made a decision about family crisis pilots generally as early as the middle of 1999. A range of other family crisis pilots got approved in the course of 2000.

Senator WEST—That is fine, but it is this one that I am interested in, because you and your research auspicing agent found three sponsors to go ahead with in two states and one territory. Then a week later, out of the blue, a fourth one bobs up—strangely, it is in the junior minister's electorate, which is one of the most marginal electorates in this country—that will require extra funding and wasn't done through the research body that you were partnered with. I am wondering how it has all come about. I am wondering what the trail of thinking was that has led to the inclusion of this particular project when people, if they had been in the know, could probably have come up with equally as good proposals in a lot of other areas. So when did you first hear about the possibility of the Tweed project?

Ms Corbett—I heard about that possibility in January, only quite recently.

Senator WEST—And where did you hear about it from?

Ms Corbett—I heard it from the project manager for this project within my branch. She had had some discussions at that point with organisations in the Tweed area and with Minister Anthony's office.

Senator WEST—How did she come to have discussions with organisations in the Tweed Valley area? Was that before or after discussions with Minister Anthony's office?

Ms Corbett—It would have been after initial discussion with Minister Anthony's office.

Senator WEST—So Minister Anthony's office contacts the department with the suggestion that a pilot for a caravan park family crisis child care project would be an ideal thing to happen in the Tweed?

Ms Corbett—No, Senator. But Minister Anthony's office did ring to inquire about whether there was any prospect of extension of this program and to ask about why an area like the

Tweed had not been included, and we explained what the process of development of the project was.

Senator WEST—And from there what happened?

Ms Corbett—From there we investigated the possibilities of looking further at the Tweed—retracing our steps in the development of the project to see whether there was a feasibility. Having discussed it with our partner, the national dissemination program, and with the Queensland sponsor, we then assessed that there was capacity for us to assist a caravan park in the Tweed area and work it in very close partnership with the project that will happen in the Queensland region, which is not far away.

Senator WEST—What led the department to decide to investigate again, following the phone call from the minister's office?

Ms Corbett—In our view it was a good suggestion and there was a lot to commend doing something in the Tweed area.

Senator WEST—Was this before or after Minister Newman's public announcement?

Ms Corbett—The issue came up before Minister Newman's announcement of the initial project. We had at that stage signed off budgets for all of those three components. We were not at a stage to make an announcement about the Tweed project.

Senator WEST—But you had signed off. How long before the minister's public announcement were you approached about the Tweed?

Ms Corbett—I believe the first discussions were about a week before that announcement.

Senator WEST—How long after Minister Newman had signed off on the initial proposal was that?

Ms Corbett—Minister Newman's sign-off on the original proposal would have been in, I think, about November. So some months after she had approved it in principle.

Senator WEST—About a week before the minister made her public announcement of the three pilot projects?

Ms Corbett—That is correct.

Senator WEST—There are only three pilots; is that correct?

Ms Corbett—There are three pilots at this stage.

Senator WEST—In the initial announcement?

Ms Corbett—Yes. That is correct.

Senator WEST—It was announced at \$740,000. You could basically say it is not quite a quarter of a million dollars each.

Ms Corbett—The scale and scope varies a bit.

Senator WEST—Yes. So a week before this announcement is to be made, Minister Anthony's office contacts the department asking why the Tweed has not been included. It does not get included in the initial announcement by the minister, but a few days after that Minister Anthony announces a pilot project in his electorate for, I presume, about a quarter of a million dollars?

Ms Corbett—The additional project we do not expect to be in that order of additional funding because it is, as I said, to be run by the Queensland sponsor and it is closely located to the Queensland component. So the funding will not be as large as that.

Senator CHRIS EVANS—Given that it is piggybacking the Queensland pilot—run by the same sponsor—what is different about it? What is it going to add to our experience?

Ms Corbett—In terms of funding or in terms of what we will learn from it?

Senator CHRIS EVANS—What we will learn. I gather pilots are designed—although they never seem to result in anything—to be things that we learn from and then utilise in making longer term policy decisions.

Ms Corbett—In a sense, the more caravan parks we have involved in it the more we will learn. But the differences between the Queensland location and the Tweed location will not be substantial. It will be a matter of the scale and a matter of the number of families and children that we can assist, and there may also be slight differences in the kind of support that is offered in the different areas. That will be driven to a degree by the families concerned. In one area there may be a need for drug and alcohol rehabilitation support. In another area there might be issues about child abuse or domestic violence. We will not know until we actually see how these sponsors get together and what families say are their priorities for additional support.

Senator Vanstone—Can I just make a point? I would understand a bit more why you are interested in this if it was clear that the money—whatever reduced amount it is, because it is piggybacking—was necessarily direct payments into the electorate. But as I think has been pointed out, it is going to be run out of another group in another place. I think some of the money goes to research in Newcastle. Your geography may be better than mine, but I do not believe Newcastle is in Mr Anthony's electorate.

Senator WEST—No, it is not.

Senator Vanstone—What has happened is that a whole range of pilots will get a broader base of assessment of what needs to be done. The point you are trying to make is pretty obvious, when you refer to possibly a quarter of a million dollars going into the minister's electorate. But the point is that the pilot has been conducted there, the money is actually going elsewhere.

Senator WEST—I am asking about process.

Senator Vanstone—I understand that. I understand you are asking about process. I am just simply reminding you that you did seek to make the point or ask the question about where the money was going, and I think that was worth clarifying.

Senator CHRIS EVANS—I do not know that you are right actually, Minister. I do not think anything hangs on it—

Senator Vanstone—The advisers can tell you if I have not got it right.

Senator CHRIS EVANS—As I understood, the money was going to be spent on providing child care in the Tweed, but maybe I got it wrong.

Ms Corbett—The project is more complicated than that, and there is a substantial component that will go into the action research that there is to be conducted by the national dissemination program. So in each case there is a balance between the action research component and the service provision component, and there is also some provision there to

assist families to go to other kinds of community services that may meet the other needs that they have as families.

Senator CHRIS EVANS—I do not want to labour the point, but what has changed is that there will now additionally be services trialled in the Tweed that were not otherwise going to be trialled.

Ms Corbett—That is correct.

Ms McKay—I might just clarify—

Senator Vanstone—Just before you do, I just make the point: it depends on which side of the coin you look at. As I recall, Senator Evans, it was not that long ago tonight you were making, I think, the very valid point—which is a problem for all governments of any persuasion—about pilots and trials. I think you were talking about someone asking, ‘Is this going to be provided? Will it end after two or three years?’ It may have even been to this group of people. I am sorry if it was not.

Senator CHRIS EVANS—It was about the stronger families program.

Senator Vanstone—So, on the one hand, there is some criticism because a pilot is being run or something is being trialled and there is not permanent funding, so we had better take 50 lashes over that. In the next breath, there is criticism because something is being trialled somewhere. So I tend to think it does not matter what you do; you cannot win.

Senator CHRIS EVANS—You will probably find that is true, Minister, but I do not think that is the point.

Senator Vanstone—Don’t you bet on it.

Senator CHRIS EVANS—That is not the point I was making.

Senator Vanstone—Because you are on the other team, you bet on it—you put up as much money as you can.

Senator CHRIS EVANS—The point I was making earlier was about having trials that do work and then do not have ongoing funding; that is all. And that is always the problem in these things.

Senator Vanstone—It is; I quite agree.

Senator CHRIS EVANS—You create an expectation then to fund them the following year.

Senator Vanstone—That is one of the big problems, especially for a Commonwealth government, as I say, of whatever persuasion that wants to pilot things that might be innovative or to find out where changes need to be made. I am sure all grant applicants will admit privately that they only need seed funding for a limited period and then it will all be okay because they have got sponsors and everything else. They will all admit that they all come back, generally, a year or so before the money is running out—whoever provided it in the first instance—and try to get publicity by saying, ‘The federal government is cutting this program,’ when it may never have been intended to be any more than a pilot. So they create problems on all sides.

Senator WEST—Yes. What consultations took place with local communities in relation to the three original pilot project sites?

Ms Corbett—There has certainly been some discussion through the national dissemination program with the caravan park sites but not directly with families and communities at this stage.

Senator WEST—What about in the Tweed, was there any consultation? Did the same consultation take place for that area prior to its announcement as took place for the others?

Ms Corbett—As I said earlier, that was one of the reasons that it was not feasible to announce it earlier. We are still in the process of actually finalising the project development, and that is also the reason that I cannot be more direct about the cost.

Senator WEST—On notice, can you give me some idea of the demographics of the children living in the Tweed caravan park as opposed to caravan parks elsewhere, please?

Ms Corbett—On notice, certainly.

Senator WEST—And when will we see the additional money being requested? How will that be allocated?

Ms Corbett—I am certainly hoping that we will be finalised in our negotiations and able to make an announcement about that within the next two weeks.

Senator WEST—What bucket of money is that going to come out of?

Ms Corbett—The funding for this project, as with all of the family crisis pilot projects, comes from a broad banded appropriation for child care support, and within that appropriation there is capacity for us to extend this funding.

Senator WEST—Thank you.

CHAIR—Thank you to the officers from output 1.4—child care support. We will move to output 2.1—housing.

[9.03 p.m.]

Senator CHRIS EVANS—I have a couple of questions on 2.1. For those officers who thought I did not know anything about child care, you should watch me on rent assistance; so forgive me if the questions are not the right questions. I have been asked to ask some questions about rent assistance. As I understand it, there is to be a rent assistance adjustment in March; is that right?

Ms Swift—There is a regular indexation of maximum rate of rent assistance in March.

Senator CHRIS EVANS—What period is that adjustment based on?

Ms Swift—July to December.

Senator CHRIS EVANS—July to December of last year?

Ms Swift—Last year, yes.

Senator CHRIS EVANS—Is that the consumer price index or is it a separate index or—

Ms Swift—It is the consumer price index.

Senator CHRIS EVANS—So what was that figure for July-December?

Ms Swift—Four per cent.

Senator CHRIS EVANS—Does that mean that rent assistance will increase by four per cent in March?

Ms Swift—There was a two per cent advance on that indexation to compensate for GST.

Senator CHRIS EVANS—This is one of those affected by that.

Ms Swift—So the actual increase in March will be two per cent.

Senator CHRIS EVANS—So the CPI figure was four per cent but, because of this argument about GST impact, the actual increase will be two per cent?

Ms Swift—Yes.

Senator CHRIS EVANS—What will that mean in terms of dollars increase in rent assistance? Have those figures been calculated?

Ms Swift—Yes. I will hand over to the colleagues who have more detail.

Ms Hambling—I will get those figures for you. The rates differ according to the different payment types. Would you like us to provide that to you in a written form?

Senator CHRIS EVANS—Yes, if you would not mind that would be good, but can you give me an idea?

Ms Hambling—Yes. The figures that we have here relate to the 10 per cent increase in the rent assistance that was announced last year as part of the GST compensation, so I apologise for trying to find the indexation component of that. If you bear with us, we will find that.

Senator CHRIS EVANS—I will take the figures on notice. Can you explain to me what is going to happen in March? What is the rent threshold?

Ms Swift—The rent threshold is the amount of rent that people pay before rent assistance cuts in.

Senator CHRIS EVANS—Is that adjusted at the same time?

Ms Swift—Yes. It is a routine adjustment. It is a routine indexation in March and September.

Senator CHRIS EVANS—I am new to this area of rent assistance. Could someone explain to me in a broad sense what is going to happen in March?

Mr Cavalli—What is happening in March is that the maximum rates of rent assistance will be going up by two per cent. That is because there has already been a two per cent advance on the maximum rates provided on 1 July 2000. The rent thresholds will be increasing by four per cent—the CPI increase—as part of the normal indexation process that always occurs in March and September.

Senator CHRIS EVANS—So what does that mean for people in receipt of rent assistance?

Mr Cavalli—It depends on whether they are receiving the maximum rate of rent assistance or whether they are receiving less than the maximum rate of rent assistance. If they are on the maximum rate of rent assistance, most people will get the increase of the two per cent. If they are on a part rate of rent assistance—that is, less than the maximum rate—because the rent threshold has increased, they will receive a small reduction in their rent assistance.

Ms Swift—However, we should point out that their primary payment, which is different of course to the rent assistance—it is a supplementary payment—is also indexed.

Senator CHRIS EVANS—That depends on which allowance they are on, doesn't it?

Ms Swift—They are all indexed, but they are indexed at different times. Some of them will be indexed in March.

Senator CHRIS EVANS—I think I understand that. I am happy to have that explained to me. I am just trying to make sure I get my head around the rent stuff first. Because the threshold is going up, those on less than maximum rent assistance will actually have a reduction in the money amount paid to them. Is that right?

Mr Cavalli—That is correct.

Senator CHRIS EVANS—Have you calculated those figures?

Mr Cavalli—Yes, we have. Reductions will vary depending on the family circumstances.

Senator CHRIS EVANS—Can you give me an idea of the range?

Mr Cavalli—We are talking about \$2.25 a fortnight for single persons with no children to about \$4.40 per fortnight for couples with three or more children.

Senator CHRIS EVANS—Is that the minimum and the maximum?

Mr Cavalli—Yes.

Senator CHRIS EVANS—So people on the maximum rate will not suffer a reduction, but I presume they will get less of an increase than they would otherwise have got. Is that the case?

Mr Cavalli—No. In March singles will receive I think it is about \$1.80 a fortnight, and I think it is \$3-something for couples.

Senator CHRIS EVANS—So that is the increase per fortnight for those on maximum assistance?

Mr Cavalli—That is right, but that is in March and that relates to the two per cent increase. But, of course, they would have received a two per cent increase on 1 July in advance. They already received a two per cent increase in July.

Senator CHRIS EVANS—I understand the argument of that. I am happy for you to get it on the record, but I am equally happy to try to concentrate on understanding this issue. So there is obviously an issue then for people in the sense that you are going to reduce their rent assistance.

Dr Rosalky—If I can add a point. The fact of the rent assistance reducing only happens if their rent does not go up while all other prices are going up. There is an issue here that CPI is going up and prices generally are going up. The reduction in rent assistance only occurs if their rent does not go up or does not go up very much. That is virtually an unlikely event. If it does, it does mean their real rent is reduced. So it is not an anomaly. It is just a mathematical fact.

Senator Vanstone—I have just had it demonstrated to me by way of a graph. I am sure the secretary could draw a graph for you at a later point.

Dr Rosalky—What is important about that program is that, if rent goes up by the same amount as the CPI—in other words, all prices are moving roughly together—rent assistance remains the same proportion of their rent. That is the way it is designed.

Senator CHRIS EVANS—Over time?

Dr Rosalky—It might happen at different moments in time.

Senator CHRIS EVANS—I think I understand your argument, Dr Rosalky. I understand the question about advances versus clawbacks and all the sensitivities about those issues. I want to get clear in my own mind, though, what is going to happen to clients of yours and the payment of rent assistance on this date. Given that their rent does not move on or around that date—say, if their rent was \$100 a week and it stays at \$100 a week—you will pay them less in rent assistance fortnightly than you did before. Is that fair or not? Maybe I could put it in other words. Is that the practical impact on that person?

Mr Cavalli—That is the practical impact. You can look at it that way. What the indexation does is it preserves. By indexing the maximum rates and the thresholds, what we are doing is preserving the real value of assistance and also ensuring that the assistance is targeted to those most in need. By indexing the threshold, we are ensuring that people are paying the same sort of proportion out of their primary payment.

Ms Hambling—This was a policy that was introduced in 1993, so it is not new this year. It is just the usual indexation that is occurring, if you like, at both ends of the system.

Senator CHRIS EVANS—I understand that there is some sensitivity about it, but I did not realise how much until I got given so much help. I am actually just trying to understand it at this moment, not make a particular political point. I think I started by saying I did not understand how it worked and that is why—

Senator Vanstone—That is why I was shown the graph, because I did not get the drift of it either.

Senator CHRIS EVANS—I am happy for Dr Rosalky to put on the record whatever he wants to put on the record or submit the graph.

Ms Swift—We could provide you with a graphic that will help. This one may help.

Senator CHRIS EVANS—I think Ms Swift might have a better—

Senator Vanstone—I think his is better. His is more explanatory. Theirs is prettier.

Senator CHRIS EVANS—I am a very superficial character. I think I will go for Ms Swift's.

Ms Swift—It is a very complicated system. I have been trying to learn it this week, too. Every time I think I have my head around it, it does take a bit of readjustment. This diagram does help to get it in perspective. I am happy to give you a copy.

Senator CHRIS EVANS—Yes, I am sure we would appreciate that. I was actually coming at it from the point that this means you are going to have to notify some clients that they are going to receive less in their payments in that period. Is that right?

Ms Swift—There will be some clients who will be notified by Centrelink that they are getting less, but most will not be affected that way.

Senator CHRIS EVANS—What percentage are on the maximum rate versus part rates?

Mr Cavalli—Approximately 55 per cent are on the maximum rate and 45 per cent are on less than the maximum rate.

Senator CHRIS EVANS—What are we talking about in total numbers?

Mr Cavalli—About 950,000 to one million customers.

Senator CHRIS EVANS—So if we are talking about 45 per cent, we are talking about 450,000 people or thereabouts.

Mr Cavalli—That is right.

Senator CHRIS EVANS—Will Centrelink notify them as a matter of course? Will they get a letter or something?

Ms Swift—Any decrease is routinely notified.

Senator CHRIS EVANS—Will they be notifying those who are getting the increase on the maximum rate as well?

Ms Swift—No. As I understand it, and I do not like to speak for Centrelink, it is not their policy to notify people routinely about increases.

Senator CHRIS EVANS—I think you tried to make the point, Ms Swift, which is what I was going to come to, that some of those people on certain allowances will get the benefit of an indexation rise at the same time which will partly or totally offset that.

Ms Swift—Part of the primary payment is for accommodation costs. So it is reasonable that that is in there. Yes, it does offset in many cases the—

Senator CHRIS EVANS—So which of the client group will receive a benefit increase in that same period? It will be the same fortnight, will it?

Ms Swift—Yes, it will be the same fortnight.

Mr Cavalli—The only ones who get indexed at a different time in terms of primary payments are people on family tax benefit who get indexed in June and people on Youth Allowance and on the youth rates of the other allowances such as Newstart allowance. They get indexed in January.

Senator CHRIS EVANS—Do you have any idea what the size of that cohort is?

Mr Cavalli—Approximately 70,000.

Senator CHRIS EVANS—So 70,000 of those who are on rent assistance fall into those groups of benefits?

Mr Cavalli—That is correct.

Ms Swift—If I can just clarify that issue about Centrelink notifying people, it only notifies if there is a net decrease. So if their primary payment has gone up and it offsets anything in the rent assistance area, they would not be notified.

Senator CHRIS EVANS—So it looks like the only ones it has to notify are those on FTB, the Youth Allowance and the youth rates.

Mr Cavalli—I should also clarify that there are also another 100,000 who get family tax benefit payments but also get a primary payment such as a Newstart allowance or so forth in their household because their partner might be on that payment.

Senator CHRIS EVANS—You have completely lost me now, I am sorry.

Mr Cavalli—You asked about people getting family tax benefits and so forth—who had received that decrease—and I said there were 70,000. It is actually 170,000 because the 70,000 only included people who solely got the family tax benefit. That was the only income support.

Senator CHRIS EVANS—And 100,000 represents people who get family tax benefits and something else?

Mr Cavalli—And another form of income support.

Senator CHRIS EVANS—So the total will be about 170,000 people who will not receive a concurrent increase in their benefit when the rent assistance is adjusted down?

Mr Cavalli—No, the 100,000 get it. Of those 100,000 who get the family tax benefit and another form of income support, they will not get an increase in their family tax benefit at that point in time. However, they will get an increase in their other due to indexation in their other—

Senator CHRIS EVANS—in the other payment. What will be the most common other payments for them?

Mr Cavalli—I will have to take that one on notice. I am not sure. Probably the Newstart allowance would be my guess.

Senator CHRIS EVANS—I think I understand that. So what is the extent of the rent assistance threshold increase in March?

Ms Swift—Four per cent.

Senator CHRIS EVANS—Is the threshold a dollar amount or a range?

Ms Swift—It is a dollar amount.

Senator CHRIS EVANS—Can you tell me what that will go from to?

Mr Cavalli—\$2.25 to \$4.41.

Ms Swift—No, the threshold.

Mr Cavalli—Sorry, what the actual thresholds were? The current thresholds are \$75 per fortnight for a single person with no children who is sharing, up to \$146 a fortnight for a couple with three or more children.

Senator CHRIS EVANS—Is that their current rate, the threshold?

Mr Cavalli—That is the current rate.

Senator CHRIS EVANS—Have you calculated the new threshold rates?

Ms Swift—It will be just indexed by four per cent.

Senator CHRIS EVANS—I just wondered if you had done them; that is all.

Ms Swift—I do not think we have done those figures at this stage.

Senator CHRIS EVANS—I just thought if you had them there I would work out what the range was. Even I could probably do four per cent on that, but not tonight.

Ms Swift—We are happy to provide it, if you like.

Senator CHRIS EVANS—I can do it, but it is a job for the morning. That will do. Thanks for that.

CHAIR—We will move on to 3.1, labour market assistance.. Thanks very much to the officers.

[9.22 p.m.]

Senator CHRIS EVANS—I have a series of questions about employment entry payments and a couple of others which really go to detailed information. So I will probably put those on notice. They are the sorts of things that you would probably find quickly, anyway. I have a couple of things I want to ask about. I think at the last round of hearings that I was not at there was a discussion about the impact of breaching on people's length of benefit and their labour market success and that some research was being conducted on that issue. Is that now available?

Mr Kalisch—We are still doing some further work, particularly with a number of groups, around the impact of breaching on some characteristics.

Senator CHRIS EVANS—This is work that has been done inside the department, is it?

Mr Kalisch—Yes.

Senator CHRIS EVANS—Is there anything that you have discovered so far? What is the general impression of what that work is showing?

Mr Kalisch—We provided some information at the last hearings around some of the characteristics of people who are more likely to be breached, and we are starting to look at some of the secondary impacts of that for some of these groups in a bit more detail. Some work is happening with the Commonwealth advisory committee on homelessness.

Senator CHRIS EVANS—When you say ‘impacts’, what do you mean by that?

Mr Kalisch—We have a fairly good snapshot of people who are breached and what their characteristics are. But also we are starting to look in greater detail as to what the impact is on them, where they end up going and looking at what income sources—

Senator CHRIS EVANS—When they are breached or longer term?

Mr Kalisch—Looking at what income sources they then rely on during the breaching process. It is those secondary factors.

Senator CHRIS EVANS—And questions about whether they rely on social welfare agencies or family and that sort of thing?

Mr Kalisch—Yes.

Senator CHRIS EVANS—You have not gotten to the stage where you have anything useful out of that?

Mr Kalisch—I will take that on notice and see whether I can get some more information for you.

Senator CHRIS EVANS—What about the link then with labour market success? Is that one of the other issues you examined?

Mr Kalisch—Yes, it is. There are probably some issues we cannot explore to the full extent with our data because some people who breach just never return. We suspect that a number of those have successful labour market outcomes, but a number may not as well. We just cannot tell from the information we can access.

Senator CHRIS EVANS—Once breached they sort of disappear from your system?

Mr Kalisch—Some never return and some just go off payment.

Senator CHRIS EVANS—You mean never return at all in—

Mr Kalisch—Within the specified—

Senator CHRIS EVANS—the purview that is Centrelink?

Mr Kalisch—Centrelink keeps good records of people who cancel and then return within a six-week period if they are short-term unemployed or within a 13-week period if they are long-term unemployed. Beyond that we need to do some fairly sophisticated data runs.

Senator CHRIS EVANS—Are you the people to ask about the PES review as well?

Mr Kalisch—Yes.

Senator CHRIS EVANS—Where are we at with the PES review?

Ms Douglas—The contract was signed in October 1998 and the evaluation took place throughout 1998 and 1999, as I understand.

Senator CHRIS EVANS—Is there a published evaluation?

Ms Douglas—I will have to take that on notice, but I can give you some detail about some of the findings.

Senator CHRIS EVANS—If you could, please.

Ms Douglas—Would you like me to briefly go through some of the key findings?

Senator CHRIS EVANS—Yes. I am conscious of the lateness of the hour, but I would be interested in what the key findings were.

Ms Douglas—The availability of the PES payment itself is not a reason for people initially undertaking study. For 60 per cent of current PES recipients, the main reason for studying is to improve their employment prospects, and another 15 per cent are motivated mainly by a desire to improve their level of education. The ongoing availability of PES is a factor in the decision by recipients to continue studying. The rate of course completion by students with PES at 62 per cent is higher than that of 59 per cent of pensioners who studied but did not receive the pensioner education supplement.

Former PES recipients have better employment outcomes than those who never receive PES. About 50 per cent of PES students estimated their costs of one period of study to be within the PES payments for that period. Only four per cent of former PES pensioners mentioned high cost of study as a reason of non-completion of course compared with 72 per cent of pensioners who studied but did not get PES. The education entry payment was received by 75 per cent of current PES recipients. They are some of the key findings of the study.

Senator CHRIS EVANS—Thanks for that. What has happened in terms of this movement to the 50 per cent of the PES rate? Is there any assessment of that impact?

Ms Douglas—Sorry, could you repeat that?

Senator CHRIS EVANS—Didn't we make changes that some are only entitled to 50 per cent of the PES rate? Yes, I will just get the details of that. There was a decision in—I will have to check the date, sorry—

Senator CHRIS EVANS—I seem to remember voting against it, but I cannot remember when.

Ms Douglas—Is there a particular issue about that?

Senator CHRIS EVANS—In terms of what impacts it had. I am just trying to get a feel for how many are on the 50 per cent rate.

Ms Douglas—I would have to take it on notice to give you the detail. But I have been informed that there were a number of PES recipients who were undertaking part-time study of less than a full-time load—less than 50 per cent—who did up their amount of study and continue to receive the higher level of PES.

Senator CHRIS EVANS—I see. I will put some questions on notice. I am interested in those who are on the 50 per cent versus the 100 per cent and how many of those were actually downgraded and what we know about them by payment type and age. But I will put a couple of questions on notice about that.

Ms Douglas—Sure.

Senator CHRIS EVANS—Thank you for that.

[9.30 p.m.]

CHAIR—We now move to output 3.2, support for people with a disability.

Senator DENMAN—My question relates specifically to incontinence pads.

Ms Carmody—The incontinence needs assistance scheme was transferred to Health and Aged Care in the 1999-2000 year.

Senator DENMAN—So you cannot help me with that? I will put them on notice.

Senator GIBBS—I turn to disability pension customers and pages 166 to 167 in the annual report. In light of the department's stated intention to find additional ways of facilitating disability support pension customer self-sufficiency, what possible options have been identified as part of this examination?

Mr Kalisch—Let me just answer fairly generally. The main way in which customers increase their self-sufficiency is by getting into work and increasing their earnings. That is an option that we are seeking to expand and grow for a large number of people with disabilities where they are on disability support pension or other income support payments.

Senator GIBBS—What are the options here? Are you actually looking for jobs that would be suitable for these people? Are they being guided in the right direction? Are they having any sort of training? It is all very well to say, 'Go and get a job,' but if you have a disability, depending on the disability you had, you could be quite limited. People with everything working have a few problems finding a job.

Mr Kalisch—We know from people with disabilities themselves that many of them want to work.

Senator GIBBS—Of course they do.

Mr Kalisch—Many of them are looking for opportunities and we are looking at options that can be developed with regard to education and training, employment services. And at the moment there are many ways in which some people with disabilities can increase their self-sufficiency and increase their incomes through the options that we provide through our own specialist disability employment services in this portfolio, through the assistance that others get through the Job Network and through the assistance that others receive through the vocational, education and training network. So there are some options out there, but we are also constantly looking at ways to further improve the effectiveness of those strategies.

Senator GIBBS—That is better. Thank you. That is what I was looking for, rather than, 'Get a job.' Thank you very much.

Senator CHRIS EVANS—What information do we have on DSP clients in terms of identifying their characteristics? As part of this welfare reform debate there has been a lot of debate about people who might have moved onto the DSP and what type of client group they might be. I know, for instance, the disabilities sector has been very keen to draw a distinction between what I think they sometimes term—and I do not like these words—medically disabled versus labour market disabled. And there is debate about whether people who are just dropouts from the labour market in which they are no longer competitive have moved onto DSP. What information do we have about who makes up the DSP cohort and how we can identify them? I know that is a general question, but I just want to get a feel for that.

Ms Wilson—We have done a bit of analysis on the main characteristics of the DSP population. Over half the population is over 50 years of age. That is almost a two to one ratio of males to females. The average duration of payment is about seven years—6.9 years. Thirty per cent of recipients have musculoskeletal conditions.

Senator CHRIS EVANS—Sorry? How many?

Ms Wilson—Thirty per cent. Twenty per cent have some sort of psychological or psychiatric condition. Ten per cent have an intellectual or learning impairment. Overall there is a very low likelihood of getting off payment.

Senator CHRIS EVANS—Thank you for that. That is useful. You say there is an average of 6.9 years on payment? Do you know what happens to them when they go off DSP, where they go?

Mr Kalisch—Most of the exits are to the age pension or to death. That is the unfortunate fact.

Senator CHRIS EVANS—I assumed the age pension would be—

Ms Wilson—About 57 per cent move on to age pensions.

Senator CHRIS EVANS—Fifty-seven per cent?

Ms Wilson—Yes.

Senator CHRIS EVANS—And what percentage are deceased? Do you have that as well?

Ms Wilson—Nineteen per cent.

Senator CHRIS EVANS—Nineteen per cent? So the other 20-odd per cent are—

Ms Wilson—There is a range of different things. I can get you a breakdown, if you like.

Senator CHRIS EVANS—Yes, if you would not mind taking that on notice. You say over half are over 50. What do we know about, say, the average age of when they go onto DSP? Do we have any figures on what age—

Ms Wilson—Of entry onto DSP?

Senator CHRIS EVANS—Yes.

Ms Wilson—We do have them. I do not have them with me. I can take that on notice.

Mr Kalisch—The average probably will not give you all that much in terms of information because there is quite a split in terms of ages. There are a number of people that enter at age 16 and a large number enter at age 50 and above. Certainly, in terms of the growth, a fair bit of the growth over recent years has been in that older age group.

Senator CHRIS EVANS—I would be interested in any figures you can give us on entry points and breakdowns of that and obviously also of that growth. It has been said that a lot of the growth is in the aged cohort. What sort of percentage of the recent entries are in that over-50 cohort?

Mr Kalisch—Without having the numbers in front of me—it is fairly significant, for both men and women, in that very much older group. That has been largely driving the growth over recent years. We can get you the exact figures.

Senator CHRIS EVANS—I would appreciate that. Do you have an understanding of why there is such a predominance of males to females?

Mr Kalisch—I would have to say there has been a bit of a shift. That shift has been in the older female group, which has been growing over recent years, rather than necessarily in the older males group.

Senator Vanstone—Women seem to suffer quietly. They just go on putting up with it, just bearing the load.

Senator CHRIS EVANS—My partner did that for five days until I took her in for an emergency appendectomy the other day. She would have been better off saying something two days before. So it has its costs, Minister.

Senator Vanstone—Just as a matter of interest, in relation to cars it is the exact opposite. The mining companies in your state will tell you that in some cases women are much more cost-effective drivers of those huge vehicles—the ones where the wheels are the height of this room. The reason is that a bloke is too embarrassed to take it in and say, ‘It sounds funny’, but the girls say, ‘Something sounds different’, and they take it in straight away. So this very expensive machinery is remedied and fixed earlier, at a much lesser price than letting the problem exacerbate. It is just interesting.

Senator CHRIS EVANS—Is that only on urban assault vehicles or on all vehicles?

Senator Vanstone—This is mining. What I am trying to say is that it just seems to be a funny thing to me. Women bear health burdens themselves longer than men will. Men are such babies with respect to themselves, but with respect to expensive machinery that someone else owns they will keep churning those gears and revving up and down until the thing is completely in need of assistance, whereas the girls will take it in straightaway.

Senator CHRIS EVANS—I think your first intervention in this hearing, Minister, was to say that the more you intervene the longer it takes. I think you have just proved that. I enjoyed the story, though.

Senator Vanstone—I do try to not intervene. It is just an interesting point. I have not tried to take up your time, sorry.

Senator WEST—There are three or four of us here who totally agree with you.

Senator CHRIS EVANS—Women have headaches; men have migraines. I know, I know.

Senator Vanstone—Women have colds; men have the flu.

Senator CHRIS EVANS—Now that we have got all of that out of the way, what were we talking about? DSP. I assumed, obviously wrongly, that the recent increase in numbers was driven by older men, but you are actually saying that it is an increase in older women.

Mr Kalisch—There has been an increase for older men as well. Certainly the increase for older women has been more significant.

Senator CHRIS EVANS—And you have got some breakdown of figures you can give me?

Mr Kalisch—Yes, we can get you that.

Senator CHRIS EVANS—Great. Has there been any analysis of what impact changes to other benefits’ eligibilities might have had on that?

Mr Kalisch—We would expect that certainly changes to income support payments for older women has had an impact on that, as well as the increase in the qualifying age for age pension for women.

Senator CHRIS EVANS—But you haven’t been able to quantify that?

Mr Kalisch—It is very difficult to attribute blame or causation to those separate factors, but it does seem to line up in terms of the coincidence of timing.

Senator CHRIS EVANS—So have you done any research on that?

Mr Kalisch—No.

Senator CHRIS EVANS—So you would have figures, I suppose, on numbers of women who have been on pensions and other benefits at comparative times?

Mr Kalisch—Yes. We know also the inflows of where people come from in terms of different benefits and we know the age at which they enter DSP.

Senator CHRIS EVANS—So in terms of these new entrants, do many of them come from employment?

Ms Wilson—Of the new entrants into DSP about 47 per cent were new income support customers, 37 per cent were previously receiving Newstart, four per cent were previously receiving parenting payment (single) and three per cent were on sickness allowance.

Senator CHRIS EVANS—So by no means are they all coming off Newstart on to DSP?

Mr Kalisch—Certainly not all coming off Newstart, although it is clear from those figures that Newstart is a very significant feeder group.

Senator CHRIS EVANS—But 47 per cent are not coming off any income payment at all.

Ms Wilson—That is right.

Senator CHRIS EVANS—Do you have any figures on how many of them are then coming on as a result of an accident or injury at work?

Ms Wilson—We have not got it with us, but I am sure we could get it for you.

Mr Kalisch—Just on that aspect, sometimes it takes a little while for people, particularly if they have gone through the accident compensation arrangements, to then show up on our figures. So it might be a year or two or three previous that they had their accident, and then once they have reduced their entitlements via the compensation arrangements they then show up on our system.

Senator CHRIS EVANS—So you are saying that we would not necessarily get a good picture of the impact of work injury on the figures because of the delay?

Mr Kalisch—It makes it a little bit more difficult. We have got some figures through our link to the compensation schemes and how that is dealt with in our system, but it is certainly an issue that needs some addressing.

Senator CHRIS EVANS—That is useful. I will appreciate anything else you can give me on that, thank you. Could I ask about the workplace modification scheme and what has happened in relation to the GST and that scheme? I have had a couple of people approach me about it—and I thought I did not know much about rent assistance! Has there been some change of advice regarding taxation treatment of workplace modification payments by FACS?

Mr Kalisch—I think we should probably take that on notice. I am not aware of any change myself.

Ms Carmody—I am aware that there was a new ruling on GST with workplace modifications, but I am not across the most current.

Senator CHRIS EVANS—I will put a series of questions about that on notice. I am not sure whether you are the right people to ask, but I was going to ask about some of the other disability-type products. For instance, I had a complaint the other day about GST on pacemaker leads and batteries for electric wheelchairs. What is happening to address those sorts of items in relation to the GST? Who handles that?

Ms Carmody—The Department of Health and Aged Care has a range of lists that detail those products that are health related that are exempt from GST. We can provide that information to you on notice, if you like.

Senator CHRIS EVANS—I have seen the list. Are you involved in seeking addition of disability related items to those lists?

Ms Carmody—Yes, we are.

Senator CHRIS EVANS—Has the issue of batteries for electric wheelchairs been raised with you?

Ms Carmody—Not specifically with me. I would have to confirm.

Mr Kalisch—I am not aware of any approaches being made to us, but we can follow that up and get back to you.

Senator CHRIS EVANS—There has been a range of products like that, where I have had approaches about things that you would have thought, given the general approach of the government on the GST, would have actually been on the list of health exemptions.

Mr Kalisch—There may well have been approaches to the department of health or, alternatively, to the Treasury or to the tax office. But I am not aware of any specific approaches to us.

Senator CHRIS EVANS—I will put a couple of questions on notice to you about that, if that is okay. Where are we up to in the assessment of MIFS?

Mr Kalisch—I will provide a general overview in terms of MIFS. The final evaluation I think has been completed now.

Ms Wilson—We are very close to finalising the evaluation report. We had a process last year of commissioning a consultant to hold some consultation with the MIFS service providers and people who participated, as well as interested stakeholders. That report was provided to the department late last year. Basically, we have also been doing an analysis of administrative data, which has been a bit delayed, and we will be supplementing the consultant's report and finalising a package to go to the minister shortly.

Senator CHRIS EVANS—For what purpose does it go to the minister, given that you are basically winding it up or have wound it up?

Ms Wilson—It is an evaluation of the pilot, I guess, to provide some lessons learned and how it can fit the broader employment reforms that are also taking place.

Senator CHRIS EVANS—Is that not more of a post-mortem than a—

Mr Kalisch—I think that is an important element, in that MIFS should be seen within the context of the range of other trials we are doing in the disability employment services area. MIFS was very much targeted on a specific group, and we are also undertaking a number of other trials at this very time, looking at other groups within the disabilities sector and other approaches.

So we are seeing this as part of the package that we are looking at testing. Certainly, something that government will want to look at is the range of assistance that is possible for people across the range of disabilities and capabilities.

Senator CHRIS EVANS—You would want to have a bit of longevity if you are going to be assessing all these things. So how are they going with the case based funding trials, then?

Ms Carmody—The trials are progressing very well. Phase 1 has opened and closed. The workers that were taken in under that trial are still progressing through the system. Phase 2 commenced on 15 January and to date we have taken 1,000, or just slightly over 1,000, of the 3,000 intake through phase 2.

Senator CHRIS EVANS—Have you got any progress figures on outcomes at all yet?

Ms Carmody—Of the job seekers that came through phase 1, approximately 10 per cent of them have actually achieved outcomes at this stage. Some have also exited totally and some others have also suspended because of the periodic nature of their disability.

Senator CHRIS EVANS—They get a 10 per cent outcome. What was stage 2 again?

Ms Carmody—Stage 2 took the learnings that we had from the evaluation of phase 1 and modified the funding model to address the identified issues. So what we have with phase 2 is that it has expanded the number of funding levels to five. We have introduced a very high level at \$15,000 for very high-need job seekers. We have introduced an independent worker outcome payment, recognising that somewhere around 10 per cent, or just under 10 per cent, are actually getting independent worker outcomes and we wanted to reward that.

Senator CHRIS EVANS—What does ‘independent worker outcome’ mean?

Ms Carmody—It is where the job seeker has actually been placed in employment and for a whole range of reasons they do not require the service provider to provide ongoing support.

Senator CHRIS EVANS—They are independent of the service provider?

Ms Carmody—Yes. It might be the employer has made a significant adjustment to the workplace, it might be through workplace modifications or it might be that they have achieved that independence of their own accord.

Senator CHRIS EVANS—Thanks for that. What is the status of the deficiency dividend when applied to disability organisations? Is that intended to continue forever or is there any—

Ms Carmody—We have had a whole range of representations from the industry around the efficiency dividend. The Minister for Finance has put on record that there is to be a review of the efficiencies gained and a report provided for government consideration. That review is under way at the moment.

Senator CHRIS EVANS—Is that just for the disability sector or more broadly?

Ms Carmody—Yes.

Senator CHRIS EVANS—So Finance have agreed to that for the disability sector alone?

Ms Carmody—Agreed that a review be undertaken, yes.

Senator CHRIS EVANS—Who is going to conduct the review?

Ms Carmody—It will be conducted jointly between the Department of Finance and Family and Community Services.

Senator CHRIS EVANS—And what is the time line on that?

Ms Carmody—It basically needs to be provided to the government for budget consideration.

Senator CHRIS EVANS—For the next budget?

Mr Kalisch—For this budget.

Senator CHRIS EVANS—Thanks for that. I am sure they will regard that as good news. Can I just ask a couple of questions about the Commonwealth Rehabilitation Service? I remember when I took over the shadow portfolio trying to get my head around the bill that was going to appear on the CRS. I have not had to bother for a couple of years now. So I really want to get a feel for what has happened there and what is happening to the CRS. I have had reports that the number of locations of CRS services seems to have declined. Is that correct?

Mr Law—In answer to the latter part of your question, the number of CRS locations has not declined. We are permanently located in 160 locations nationally and that has been the case for some time, except we have expanded services in a number of areas through visiting and ad hoc type arrangements. So I would estimate that the coverage of service today is, in fact, somewhat larger than what it was.

Senator CHRIS EVANS—Someone told me that in 1998 you had 170 and now you are down to 145 locations. But you tell me that that is not right?

Mr Law—The figure has always been some 160 to 170. If I count the visiting service locations, the current number is well in excess of 170. What I indicated was the number of permanent locations where we permanently have staff five days a week is 160. However, we operate out of quite a number of other locations on a visiting type basis.

Senator CHRIS EVANS—So basically, you are saying that there has been no downgrading of the spread of the service?

Mr Law—We certainly relocated quite a number of offices to more suitable premises, particularly in urban areas. But there has certainly been no downgrading of the coverage.

Senator CHRIS EVANS—Right. Maybe I should not ask you, because I am sure that the minister probably has not got on top of this particular one—it is part of the huge brief she has—but what has happened to the CRS bill?

Ms Carmody—The CRS bill was not reintroduced following the last election.

Senator CHRIS EVANS—Does that mean that currently there is no intention to reintroduce it? I am not asking you to speak on behalf of the government; I am just trying to get a feel for whether there has been some decision that I have missed as to whether it is to be proceeded with or it has been—

Ms Carmody—My understanding is that there is no intention to reintroduce it at this point in time.

Senator CHRIS EVANS—Okay. Is there any discussion occurring within the department of CRS about their role, or a possible role for them in assisting people with disabilities back into the work force?

Ms Carmody—There is the assessment and contestability trial, which is very much in the public domain. That is trialling an alternative assessment process for people with disability to identify their work capacity and also to capture their own personal goals and aspirations—to link those needs with more appropriate interventions. Part of that trial also tests the private sector's capacity to contribute to the Commonwealth rehabilitation program.

Mr Kalisch—Aside from that specific trial, there is certainly ongoing discussions between the department and CRS looking at the capability and capacity and opportunities that CRS provides more broadly.

Senator CHRIS EVANS—I just thought, given the current debate about these issues, that CRS was an obvious starting point for some of that debate.

Mr Kalisch—Yes.

Senator CHRIS EVANS—Thanks for that.

[9.58 p.m.]

CHAIR—We move now to output 3.3, support for carers.

Senator CHRIS EVANS—In terms of carers, I am interested in the cap of 63 days per calendar year absence from caring responsibilities. We put a question on notice—I think the department advised that the answer would be available in December 2000, but I do not think that we have received it yet—which went to the question of carers allowance recipients who claim those provisions of a maximum of 63 days per year. You are nodding, so you know what I am talking about?

Ms Wilson—Yes.

Senator CHRIS EVANS—Are we in a position to get an answer?

Ms Wilson—Yes. We have just recently received the data from Centrelink. The period the data covers is from January to December last year. So we will be in a position to finalise an answer within the next few days.

Senator CHRIS EVANS—I just ask about the child disability assessment tool. I think in its response to the evaluation of the child disability assessment tool the government indicated that it would investigate the possibility of developing special needs criteria for four conditions. Can I ask whether that has been activated or whether there is work going on there?

Ms Wilson—Yes. The special care needs criteria are being developed in the areas of cystic fibrosis, phenylketonuria, uncontrolled epilepsy and juvenile diabetes. We have done a lot of work with expert reference groups and different key stakeholders and we have come up with some draft criteria which are largely acceptable to all of those groups involved. We are actually about to put up a minute to the minister with a plan of action to go forth and pilot some of those special needs criteria in key areas. So we are hoping to finalise that fairly quickly.

Senator CHRIS EVANS—So the proposition is to pilot them, is it?

Ms Wilson—Yes.

Senator CHRIS EVANS—And how will that special needs criteria impact on eligibility for a carers allowance?

Ms Wilson—The issue with those particular conditions were more, I guess, variable or episodic and the criteria is trying to gauge at what levels they would meet the similar sort of assessment levels for the child disability assessment tool—when the condition gets to the point where the additional special care is needed.

Senator CHRIS EVANS—So that is going out to the minister to seek approval for a trial?

Ms Wilson—There is pretty good support by all the key stakeholders.

Senator CHRIS EVANS—Thanks for that.

[10.01 p.m.]

CHAIR—We go now to output 3.4, support for the aged.

Senator CHRIS EVANS—I think I missed the last FACS estimate round, to my great chagrin. There was discussion about aged persons savings bonus—rather, a repayment of that. A group had been paid in error, or what have you. Can I get an update on that situation—the numbers and how you are going in terms of gaining the repayment, or whether the group has expanded or not?

Mr Kennedy—As of 9 February, there had been about 2,000 overpayments raised. Fifty-one of those were early in the piece. They received payments from Centrelink and then incorrectly claimed payments from the tax office as well.

Senator CHRIS EVANS—So that was a double dip?

Mr Kennedy—Yes. The majority of the overpayments occurred when either people had tax returns amended after the bonus had been paid—their savings and investment income was reduced—or people estimated that their income from savings and investments would be less than the allowable limit in the 1999-2000 year, but in fact it turned out to be higher than their estimate.

Senator CHRIS EVANS—Is that 2,000 cohort likely to grow any further?

Mr Kennedy—I would have to say it could, slightly. I do not think the numbers have changed greatly, though, in the last few weeks.

Senator CHRIS EVANS—I think the last estimate was about 1,400. So do you think 2,000, or a bit more, is going to be about it?

Mr Kennedy—Yes. It might be slightly over 2,000.

Senator CHRIS EVANS—I am not holding you to it; I am just trying to get a feel for whether you think there is a lot more coming in or we are getting towards the end of the problem.

Ms Prince—We have got no reason to think it will be radically larger.

Senator CHRIS EVANS—What do we know about the total and average debt raised on these 2,000?

Mr Kennedy—I am sorry, I would have to take that on notice. I have not got those figures.

Senator CHRIS EVANS—If you could, I would appreciate that. So how have you been handling that? Have you been writing to them and advising that they had incurred a debt?

Mr Kennedy—Yes, every debt that Centrelink raises has a letter of advice that goes to the customer.

Senator CHRIS EVANS—Do you explain why they ended up with that debt?

Mr Kennedy—In broad terms, yes, I understand so. In broad terms, I do not think that it goes into—

Senator CHRIS EVANS—No, I have had some concern expressed to me that it was not clear to them, looking at the letter, what brought about the debt.

Ms Prince—My understanding of the letters that have gone to people who have been overpaid is that they are advised of the debt, they are advised of the amount, they are advised in general terms about the cause of it, and then there is quite an extensive list of people that they can contact to talk about it if they are not certain, both in the Centrelink debt recovery area and also in the tax office. I have actually seen the letters. They are quite a comprehensive one and a half page letter. So that is how they are advised.

Senator CHRIS EVANS—And have you got any feedback on arrangements for paying back the bonus? I know there were debts. Obviously, sometimes there are negotiations about payback. Are those sorts of arrangements in place?

Ms Prince—Those arrangements are in place. In fact, in the letter there is a specific reference to advising people and encouraging them to contact the Centrelink debt recovery area if they want to discuss how they are going to repay the debt.

Senator CHRIS EVANS—So what sort of numbers or percentage are actually taking up repayment plans versus automatic repayment?

Ms Prince—We would have to take that question on notice. We do not know at this stage.

Senator CHRIS EVANS—If you could give me some feedback on how that is going in terms of repayment plans, or a payment, and if you could match that with the numbers of debts raised and the total and average debt amounts, that would be helpful. Has some issue been raised recently about tax losses offsetting the bonus amount?

Mr Kennedy—The issue, in fact, has been raised since the early bonuses were paid in July/August last year, when some people were rejected, or had less bonus paid than they thought they were entitled to. The written material produced by all of the government departments, particularly the ATO, was quite clear, though—that if people claimed a tax deduction in the earning of savings or investment income, then that was remitted off the total income they received.

Senator CHRIS EVANS—I gather it was not quite as explicit in a number of the fact sheets or the ANTS publications.

Mr Kennedy—I believe in the early ANTS publications it was not so explicit. Certainly, the material released by the tax department was, I believe, reasonably clear.

Senator CHRIS EVANS—What about the sort of FACS materials—the fact sheets, et cetera? Did that contain reference to the tax loss issue?

Mr Kennedy—I do not believe so. It was a tax issue because Centrelink, which deals with a lot of the FACS customers, use deeming, not the tax rules.

Senator CHRIS EVANS—Was it just an oversight that this sort of detail was not included?

Mr Popple—The FACS web site had links to the tax web site, so you could have got access to that information by going through the web site.

Senator CHRIS EVANS—Most of the people complaining about this are people from rural and regional Australia. I would not give them that one, Mr Popple.

Senator WEST—It does not go down very well.

Mr Popple—The fact sheets that we produced were in relation to the Centrelink payments.

Senator CHRIS EVANS—Sorry, Mr Popple?

Mr Popple—The fact sheets that we produced were in relation to the Centrelink payments—the Centrelink claim bonuses—and dealt with the deeming rates.

Senator Vanstone—If it is any help, the general understanding I have of this issue is that there was always a clear understanding that if you put in a tax return it was going to be assessed on your taxable income. People who have a taxable income know how that is compiled. But for the convenience of people who were not putting in a return—maybe because they did not have a taxable income or whatever other reason there might be, I do not

know—they could go through Centrelink, which would have a different definition of ‘income’. Some people might say, ‘Why would you do that,’ because that just creates complexity and misunderstandings and people saying, ‘That person was assessed this way and this person was assessed that way.’ But when you think about it, if the decision is to do it on taxable income, it is actually a sign of flexibility and an understanding of the difficulty that would be met by people who do not put in a tax return if you provide the alternative system. Is that clear?

Senator CHRIS EVANS—I think so.

Senator WEST—I do not think it is going to go down real well with my farming constituent, who obviously has a few acres, had not sold the wool and was run off against a loss. She got a ‘no go’. I am not sure how I explain that to her or to her accountant for that matter.

Senator CHRIS EVANS—I understand we ran a dual system. Maybe it is just that there has been some feedback and concern about whether or not all the publications contained that information. I am just trying to explore whether they did and whether there was a—

Mr Kennedy—The tax claim form information that tax sent to 1.4 million potential claimants I think did have that information. The Centrelink information did not because it was targeting people who would have their bonuses based on their deemed income.

Senator CHRIS EVANS—And the original ANTS package, I gather, did not?

Mr Kennedy—I do not believe so.

Senator CHRIS EVANS—That is the claim made to me.

Senator Vanstone—When I was explaining it to you, I should have used the descriptor ‘net income’ rather than taxable income.

Senator CHRIS EVANS—I am glad we have sorted that out.

Senator WEST—Thank you. That still does not make my constituent any happier.

Senator CHRIS EVANS—I presume you would not have any figures on those who might have had an expectation of the bonus but that has been affected by tax loss offsets? That would be a question for the tax office, I suppose, would it? Have you got some idea?

Mr Kennedy—I have no idea of how many people have been rejected. I do not have an idea of how many people may have got less than they thought they would get.

Senator CHRIS EVANS—How many have been rejected?

Mr Kennedy—There have been about 130,000 claims rejected in total.

Senator CHRIS EVANS—That many—130,000? Are they all due to tax loss offsets?

Mr Kennedy—No, 100,000 in total were rejected because they were deemed not to have income from savings or investments. Some of those would have been Centrelink customers who just did not have income from savings or investments.

Senator CHRIS EVANS—You said 100,000. Are the other 30,000 mutually exclusive?

Mr Kennedy—Yes, they are separate cadres. The other 30,000 are made up of quite a number of different groups or different reasons why people were rejected.

Senator CHRIS EVANS—So we are not actually able to say how many were rejected on the basis of this tax loss offset problem?

Mr Kennedy—No, I do not believe so.

Senator CHRIS EVANS—Thank you for that.

Senator WEST—I am interested to know what publications were available through the entire process. Have you got copies of those that you could give us on notice?

Ms Prince—Yes, we do.

Senator WEST—I would like you to be able to indicate in those publications where references were made to tax loss, please.

Ms Prince—We will provide those.

Senator CHRIS EVANS—Can I ask some questions about the March pension increase? I think this is probably similar to rental assistance. I am happy if people want to put answers on the record. I just want to make sure I understand this, Ms Rosalky. If you want to give me a chart or something, I am happy to receive any assistance you want to provide. I should not be attempting to do this at a quarter past 10, but the quicker I understand this the quicker we finish, because it is the last item.

Ms Prince—I will do my best. What would you like to know?

Senator Vanstone—And I will be quiet.

Senator CHRIS EVANS—There is a bit of incentivisation for you. I knew how to win you. This is similar, I gather, to the rent assistance debate in a sense, is it?

Ms Prince—Indexation relates to both subjects, but in relation to the age pension payment it is possibly a bit simpler.

Senator CHRIS EVANS—That is encouraging. When we start talking about 25 per cent of MTAW, generally the economists lose me. So this is a situation again where there is a four per cent increase in the CPI from July to December that would have otherwise gone into a March increase.

Ms Prince—Yes.

Senator CHRIS EVANS—And that will be discounted by the two per cent offset?

Ms Prince—The way I would describe it is that the normal indexation arrangements apply this March as they do every March in relation to the rates going up to various adjustments. The one difference this time is that the adjustment in the CPI is not going to be quite as high as it would appear to be because we have already advanced part of that indexation in July last year, so we are in fact topping up to what the indexation rate has been in the six months that we normally measure.

Senator CHRIS EVANS—I understand the government's explanation of that. But this is not driven purely by CPI; it is driven by MTAW as well?

Ms Prince—That happens normally: we actually check the base rate of the pension against 25 per cent of MTAW. As to the figure that will become available on 1 March, that is just the same way it always happens.

Senator CHRIS EVANS—I just wanted to understand that. So what is the MTAW rate calculated at now?

Ms Prince—The final MTAW rate has not yet been made available. That will happen on 1 March. That is actually calculated by the Australian Bureau of Statistics and we do not have that available at the moment.

Senator CHRIS EVANS—Will that be our figure as of 1 March?

Ms Prince—Yes.

Senator CHRIS EVANS—So it is a figure they cannot produce till then?

Ms Prince—That is right.

Senator CHRIS EVANS—Traditionally under that method the greatest increase is then used; is that right?

Ms Prince—I beg your pardon?

Senator CHRIS EVANS—I gather that the CPI or the 25 per cent MTAWÉ, whichever is the greater, is used?

Ms Prince—Yes. We actually first apply the CPI increase to the base part of the pension and the calculation that results from that. If that is equal to or greater than the MTAWÉ figure when we check it, we leave it at the same figure. If it is actually less than 25 per cent of the MTAWÉ, we increase the base rate to 25 per cent of the MTAWÉ. So it is a benchmarking process.

Senator CHRIS EVANS—How is that affected by this adjustment in the sense that, if you have got the two per cent—

Ms Prince—It is not. It is not actually affected by this adjustment at all.

Senator CHRIS EVANS—Why not? On the face of it, to a layperson four per cent reduced to two per cent would mean the MTAWÉ was probably likely to be the greater figure. Is the MTAWÉ discounted as well for that adjustment, or not? Why not? No doubt you end up not comparing apples with apples?

Ms Prince—First of all, what we do is adjust the base rate according to the CPI increase. In this indexation the actual CPI increase between June and December is four per cent, as you would know. What we have actually done is already given two per cent of that in advance as of 1 July last year. So people have actually been getting that all the way through. Now that we know the four per cent indexation figure, we actually adjust the final two per cent on 20 March so, in fact, there will be a total of a four per cent increase on the base rate of the pension. Then we have a look at that figure and we say, 'Is that equivalent to the 25 per cent of the MTAWÉ?' If it is, we do not do anything else. If it is not, we actually adjust it up to that figure.

Senator CHRIS EVANS—So in terms of the comparison with MTAWÉ, you say on your analysis that you are actually comparing it with a four per cent increase, not with a two per cent increase? Is that the logic of your position? All right. What are our expectations regarding the MTAWÉ? I gather wages growth has not been terribly strong. Is that expected to be higher or lower?

Ms Prince—We have a preliminary figure here. It is actually—

Mr Popple—Can I just add something in there? After we have gone through the calculations, as Ms Prince has explained, we then add on top of that the pension supplement, which was actually the increase from July last year. So after you go through that process of increasing it by two per cent and matching it to the MTAWÉ, you get what the pension is like we have done in the past. Then on top of that you add the pension supplement, which is about \$15.60, and that then forms the total pension. Sorry, it was \$15.10, but with increases over the years it is now \$15.50. That is actually the increase that was given to pensioners in July last

year. They go through all that matching process that can be explained and then on top of that you add the pension supplement.

Senator CHRIS EVANS—Just when I thought I had it!

Mr Popple—Yes, I know. I was reluctant to say it, but I would not want you to think that pensioners are getting less than what they are going to get.

Senator CHRIS EVANS—But you are saying to me they are getting a pension supplement now. Has that been indexed?

Mr Popple—Yes.

Senator CHRIS EVANS—And what has that been indexed by?

Ms Prince—CPI—

Mr Popple—CPI.

Ms Prince—which is four per cent.

Senator CHRIS EVANS—Not four per cent less two per cent?

Mr Popple—Sorry, it is four per cent less two per cent.

Ms Prince—They have already had two per cent.

Senator CHRIS EVANS—Just so I know the change.

Mr Popple—There will be another two per cent in March.

Senator CHRIS EVANS—Just so I know, when we go from 19 March to 20 March you are saying that there will be an adjustment on the base pension and there will be an equivalent adjustment on the supplement?

Ms Prince—That is correct.

Senator CHRIS EVANS—What do we know about the MTAWWE?

Ms Prince—We have a preliminary figure here of \$767.80. That would be a weekly figure, I think. So we would take 25 per cent of that on a weekly basis. But that is an estimate only. That is the preliminary figure. The final figure may be a bit different. We do not know.

Senator CHRIS EVANS—On that basis would the MTAWWE apply or would the indexation apply?

Ms Prince—I do not think it would apply. If this figure holds, it would not make any difference.

Senator CHRIS EVANS—MTAWWE would not put it in front of it?

Ms Prince—No, there would be no need to adjust it further.

Senator CHRIS EVANS—That is the advice I have had. So have you worked out the figures of what the pension and the supplement would move to on 20 March if the indexation method is followed?

Ms Prince—I have not done that. That would have been done in another part of the department.

Senator CHRIS EVANS—Is anyone able to help me on those figures?

Ms Prince—There is usually an announcement sometime before 20 March by the minister in a press release. So it is at that time that we would normally announce these rate increases.

Senator CHRIS EVANS—I appreciate that. I am not asking for official figures, I am just trying to get a feel for what would happen if we use the base pension indexation adjustment. If there is some reluctance to tell me that, I will just do it myself. It is basically two per cent on the current figure and two per cent on the supplement. Is that right?

Mr Popple—Yes.

Senator CHRIS EVANS—Does anyone want to comment on that? You might regret not telling me the exact figure. What sort of advice goes out to pensioners on this adjustment?

Ms Prince—There is the press release, which usually gets some coverage in the media. Pensioners are actually advised in the next edition of the *Age Pension News*, which usually goes out at about that time. I think this is correct. In your earlier discussion on rent assistance—and please tell me if I have this right—anyone who has a net reduction in their pension would get a letter from Centrelink advising them of that. The circumstances in which people might get a net reduction in their payment would be if they have complex financial arrangements and they have had their savings and investments valued at about this time and we find that those have gone up significantly. Therefore, they are actually going to get a bit less pension. In that situation those sorts of people might get a net reduction in their pension, but that again is nothing abnormal. That just happens as a matter of course where you have people going through pension rates being adjusted.

Senator CHRIS EVANS—But in the sense of the adjustment of the pension, is that taken in isolation? There should be no losers.

Ms Prince—That is correct.

Senator CHRIS EVANS—It is a question of them getting, subject to what happens to them with the MTAW, basically a two per cent change. So they will not get any special notification about that?

Ms Prince—No, they would not.

Senator CHRIS EVANS—Thanks for that.

CHAIR—I thank Senator Vanstone, Dr Rosalky and all the officers of the Department of Family and Community Services and also, of course, Hansard and the secretariat.

Committee adjourned at 10.24 p.m.