



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION
COMMITTEE

Consideration of Budget Estimates

TUESDAY, 28 MAY 2002

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BY AUTHORITY OF THE SENATE

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SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE

Tuesday, 28 May 2002

Members: Senator Mason (*Chair*), Senator Murray (*Deputy Chair*), Senators Brandis, Faulkner, Forshaw and Lightfoot

Senators in attendance: Senators Brandis, Carr, Conroy, Crossin, Faulkner, Ferguson, Forshaw, Mason, Murphy, Murray and Ray

Committee met at 9.03 a.m.

PRIME MINISTER AND CABINET PORTFOLIO

Consideration resumed from 27 May 2002.

In Attendance

Senator Hill, Minister for Defence

Senator Ian Macdonald, Minister for Forestry and Conservation

Department of the Prime Minister and Cabinet

Mr Alan Henderson, Executive Coordinator, Government and Corporate Economic policy advice and coordination

Dr James Horne, First Assistant Secretary, Industry, Infrastructure and Environment

Ms Jenny Goddard, First Assistant Secretary, Economic

Social policy advice and coordination

Ms Rosemary Calder, First Assistant Secretary, Office of the Status of Women

Ms Karen Bentley, Assistant Secretary, Office of the Status of Women

Ms Sandra Parker, Assistant Secretary, Office of the Status of Women

Ms Helen Hambling, Assistant Secretary, Social Policy

Ms Cath Halbert, Assistant Secretary, Social Policy

International policy advice and coordination

Mr Michael Potts, First Assistant Secretary, International

Support services for government operations

Ms Barbara Belcher, First Assistant Secretary, Government

Mr David Macgill, Assistant Secretary, Parliamentary and Government

Ms Philippa Lynch, Assistant Secretary, Legal and Culture

Mr Paul O'Neill, Assistant Secretary, Awards and National Symbols

Mr Peter Hamburger, Assistant Secretary, Cabinet Secretariat

Mr Greg Williams, First Assistant Secretary, Government Communications Unit

Dr Susan Ball, Assistant Secretary, Information Services

Mr Richard Oliver, Assistant Secretary, Corporate Support

Mr Terry Crane, Senior Adviser, Services and Security

Mr Joe d'Angelo, Senior Adviser, Financial Management

Mr Greg Whitty, Director, CHOGM

Australian National Audit Office

Mr Ian McPhee, Deputy Auditor-General

Mr Russell Coleman, Executive Director, Corporate Management Branch

Mr Colin Cronin, Executive Director, Performance Audit

Office of National Assessments

Mr John Eyers, A/g Director-General

Mr Derryl Triffett, Head, Corporate Services

Mrs Margaret Bourke, Senior Executive Officer

Office of the Commonwealth Ombudsman

Mr Ron McLeod, Ombudsman

Ms Natalie Humphrey, Contract Manager

Office of the Inspector-General of Intelligence and Security

Mr Bill Blick, Inspector-General

Office of the Official Secretary to the Governor-General

Mr Martin Bonsey, Official Secretary

Mr Gary Bullivant, Corporate Manager

Mr Kevin Davidson, Manager Executive Support

Ms Amanda O'Rourke, Manager Honours and Awards

Ms Joanne Mitchell, Finance Manager

Public Service and Merit Protection Commission

Mr Andrew Podger, Public Service Commissioner

Ms Lynne Tacy, Deputy Public Service Commissioner

Mr Mike Jones, Team Leader, Corporate Strategy and Support

Mr Jeff Lamond, Team Leader, Staff, Structures and Performance

Ms Mary Reid, A/g Team Leader, Values, Conduct and Diversity

Ms Kerri Russ, A/g Team Leader, People and Organisation Development

Mr David Mylan, Chief Finance Officer

CHAIR—Good morning. I declare open this public hearing of the Finance and Public Administration Legislation Committee. Today we continue an examination of budget estimates 2002-03, the Prime Minister and Cabinet portfolio. We will continue with output 2 of the Department of the Prime Minister and Cabinet. After completing outputs 3 and 4 for the department, we will then commence with the Australian National Audit Office, followed by other agencies in the Prime Minister's portfolio.

The committee has set Wednesday, 10 July 2002 as the date for submission of written answers to questions taken on notice. I remind you all that this committee is continuing its general oversight of the format of the portfolio budget statements. In addition, in accordance with the committee's recommendation in its third report on the format of the portfolio budget statements, the committee will report on the adequacy of the PBSs in its budget estimates report.

I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has the discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. I further remind officers that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy. They shall be given reasonable opportunity to refer questions asked of the officer to superior

officers or to a minister. Evidence given to the committee is protected by parliamentary privilege. I also remind you that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate.

[9.05 a.m.]

Department of the Prime Minister and Cabinet

CHAIR—I welcome this morning officers of the Prime Minister and Cabinet portfolio again. Senator Crossin, are there any further questions relating to output 2 of the Department of the Prime Minister and Cabinet?

Mr Henderson—Could I interrupt, Senators. Ms Bentley has a couple of follow-up points in answer to questions raised last night. Perhaps she could provide that information first up.

CHAIR—Thank you.

Ms Bentley—Senator Crossin, I would like to follow up on a couple of questions that you asked me yesterday on which I have managed to get material for you overnight. The first was on the evaluation. I have a copy here of what is currently on our web site about publications. The newsletters and bulletins from the evaluation consultant are listed on the web site and are still available, along with a list of all publications that are available under the Partnerships Against Domestic Violence program. I have a copy here for you.

In relation to a question you asked me yesterday about the number of applications or expressions of interest for various projects, I have gathered that information. For the Perpetrator project we advertised in the national press on 14 October 2001. We received 46 expressions of interest. For the Children's Priority area, we advertised in the national press on 29 September and received 62 expressions of interest. For Women's Services we advertised in the national press on 29 September 2001 and received 153 expressions of interest. For Indigenous Family Violence grants we advertised in state and territory newspapers and the *Courier Mail* on 21 July and delivered and posted 260 application packages. We received 63 major project applications and 44 capacity building applications.

Senator CROSSIN—I want to go back to Partnerships Against Domestic Violence 2. The money for phase 2 of the domestic violence initiatives was first introduced in the budget for 2000-01. Is that correct?

Ms Bentley—I believe it was introduced in 1998.

Senator CROSSIN—PADV 2?

Ms Bentley—Phase 2.

Senator CROSSIN—What was the expected amount of expenditure each year since 1998, then?

Ms Calder—While Ms Bentley is looking that up, I might just advise that partnerships phase 2 comprises a further \$25 million in addition to the first \$25 million that was provided in the 1999-2000 budget. That was, as we said yesterday, to apply until June 2003 but has been extended by rephrasing to 2004.

Ms Bentley—I do not have figures for 1999-2000, but the appropriation for Partnerships Against Domestic Violence in 2000-01 was \$2.5 million.

Senator CROSSIN—What was it for just PADV 2?

Ms Bentley—That was the figure for PADV 2.

Senator CROSSIN—The actual anticipated expenditure?

Ms Bentley—The 2000-01 estimate that last appeared in the PBS, the 2001-02 PBS, was \$2.483 million. I do not have previous years here with me.

Senator CROSSIN—Also, in last year's PBS the budget estimate for the 2001-02 year was just over \$11 million. Is that correct?

Ms Bentley—That is correct. The budget estimate for 2001-02 was \$11.04 million in the last year's PBS.

Senator CROSSIN—We were able to ascertain last night that in the last 12 months there has been a \$4.3 million underspend in that program. Is that correct?

Ms Bentley—There has been \$4.3 million carried over from this financial year into future years.

Senator CROSSIN—But is it not correct that in the PBS for 2001-02 the budget estimate was just over \$11 million?

Ms Bentley—That is correct.

Senator CROSSIN—And the PBS that I have received in the last few weeks shows that the actual expenditure for 2001-02 was only \$6.7 million. Is that right?

Ms Bentley—That is correct.

Senator CROSSIN—So there has been a \$4.3 million underspend in the previous year, as opposed to what was anticipated to be spent?

Ms Bentley—Yes, the estimate at the beginning of the year was \$11 million. Expenditure has been slower than anticipated. We expect that we will spend \$6.7 million and have made arrangements to carry over the funding into future years.

Senator CROSSIN—Last night you indicated to me that one of the reasons for the underspending was that there were no program grant managers available. Is that correct?

Ms Bentley—If I could elaborate: as I said yesterday the Partnerships Against Domestic Violence Taskforce met in July last year and developed priority project areas that were considered necessary to best share—or find further—areas that needed to be developed in terms of Partnerships Against Domestic Violence.

Senator CROSSIN—How are those project areas developed? Are they based on the experience of members of the taskforce, research or priorities of this government?

Ms Bentley—They are broadly based on the findings from the first phase of Partnerships Against Domestic Violence. The preliminary evaluation findings pointed to a number of areas that needed more work. For example, in the area of children a project has been let which will look at those other services in the service delivery or community services areas that deal with children on a routine basis, and at what kind of best practice guidelines they might require in order to deal with children who are witnessing or living with domestic violence. Another example might be for those services that are actually dealing with children who are living with domestic violence to actually put the focus on the resilience in children: what is it about children that enables them to get through having lived with domestic violence better than those children who do not? What are the resilience factors? So people are working on areas like that. They are just a couple of examples of the areas that came through from the first phase of Partnerships Against Domestic Violence which the taskforce, in agreement with the

minister, agreed should progress in terms of trying to get guidelines or information out to those people dealing with children and perpetrators.

Senator CROSSIN—What is the next step once the priority areas have been identified?

Ms Bentley—The priority areas were identified in 1998 with the announcement of Partnerships Against Domestic Violence. Once priority projects were identified officers within OSW, in conjunction with the project managers, developed the project specifications and then went through the public tender process and called for expressions of interest. We received expressions of interest and we short-listed, interviewed, selected, made recommendations to the ministers and are currently in the process of letting contracts or have just let contracts.

Senator CROSSIN—What is the role of the program grant managers then?

Ms Bentley—The consultants or the project managers within OSW?

Senator CROSSIN—Within OSW, firstly.

Ms Bentley—The project managers within OSW are policy officers who are responsible for a priority area. They are responsible for providing advice to the senior executive, the minister and the Prime Minister on that particular area of the program.

Senator CROSSIN—How many are there?

Ms Bentley—At the moment there are staff for each area in OSW: staff that look after community awareness, perpetrators, children, women's services and indigenous family violence. There is also an officer who is responsible for policy evaluation and other contracts, including the domestic violence clearing house.

Senator CROSSIN—Do you have actual designated program managers that manage each of the projects under the particular priority areas?

Ms Bentley—Within OSW?

Senator CROSSIN—Within OSW or externally.

Ms Bentley—Yes, there are officers within OSW who are designated project managers.

Senator CROSSIN—Do you have similar people who may be consultants or external project managers?

Ms Bentley—There are various consultants which assist OSW in its role to manage and coordinate both the program and the policy.

Senator CROSSIN—What has been the delay in not expending that \$11 million you anticipated over the last 12 months?

Ms Bentley—The major reason has been that in the advertising and letting of the particular projects that we identified under children and perpetrators, although we received a large number of expressions of interest, we had some difficulty in finding suitable project consultants to undertake the projects exactly as we wished. Part of the reason for that is that the domestic violence sector across Australia is very diverse. The evaluation findings of Partnerships Against Domestic Violence are moving forward in a way which perhaps some parts of the sector need to slightly shift towards. We are trying to move towards a new system, and that means that in letting some of the projects we had to spend quite some time looking at the underlying principles and paradigms that various organisations that applied were operating under. We needed to go right back to first principles and actually talk to applicants about the

underlying theoretical basis of domestic violence. That is quite complex—at least five different frameworks exist in Australia at the moment—and we were keen to make sure that, when letting those projects, we were letting them with a theoretical underpinning that was in line with the findings of the first phase of Partnerships Against Domestic Violence.

Senator CROSSIN—Is that not what your PADV 1 was supposed to have achieved?

Ms Bentley—Certainly. In fact, that is exactly what Partnerships Against Domestic Violence 1 has found.

Senator CROSSIN—Why has there still been that delay? Is that because your evaluation for PADV 1 was not early enough?

Ms Bentley—We are breaking new ground; for example, in the area of perpetrators, there are, from memory, fewer than two dozen programs operating in Australia that can be classified as true perpetrator projects in domestic violence. That leaves us with a very small market in which to let these projects. We have let projects in that area, but it did take some time to make sure that we were getting what we were aiming for rather than a project that may not align with the theoretical paradigm which we are trying to work under.

Senator CROSSIN—Do you have documented somewhere what you were trying to aim for in each of those areas?

Ms Bentley—There is some information currently on the web site which briefly goes into what it is that we were aiming for. On the web site we also referred applicants to a publication that was produced by OSW called *Working together against violence: the first three years of Partnerships Against Domestic Violence 2001*, which summarises some of the major findings from the first phase, including the theoretical frameworks.

Senator CROSSIN—I might come back to that. I want to take you to—

Ms Bentley—Sorry to interrupt. I could table a copy of what is on the web site.

Senator CROSSIN—All right, if you have gone to the trouble of printing that off.

Ms Calder—The web site makes it quite clear that:

The major focus of PADV Two is on prevention, and it is pursuing action on four fronts ...

and the detail is provided. Prior to that, it describes partnerships 1 as having become an 'effective partnership'. It reads:

... PADV has developed considerable expertise in the area of domestic violence, with a clearly articulated theoretical framework for action, and it is moving towards practice that is firmly grounded in evidence.

The whole of partnerships 1 was established to document, map, test and provide advice on new and emerging directions, and that is precisely what it has done. The evaluation has been one of the most thorough that I think could have been devised. It has not reported until now because a number of projects were testing such new ground that they took longer than anybody could anticipate they would do when they were established. They have reported more slowly to ensure that the evaluation is comprehensive and effective, because it is unique and cannot be repeated in this form. The evaluation has been adjusted accordingly, and the identification of the directions within the priority areas for partnerships 2 was based on comprehensive briefing from the evaluation team and is being informed by the materials of the evaluation as they are provided. It is a developmental strategy.

Senator CROSSIN—Can I take you to pages 48 and 49 of the PBS. Your National Approach Against Sexual Assault was allocated \$2 million for the year 2001-02, but you only spent just over \$1.1 million. Is that correct?

Ms Bentley—That is correct. I believe I explained last night that the start-up costs for the Informed Choices for Women budget initiative were much higher than anticipated and that, as a result, the Minister Assisting the Prime Minister for the Status of Women transferred funds from the National Approach Against Sexual Assault—which was going slower than anticipated—to the Informed Choices for Women initiative. Those funds were \$825,000, and they will be repaid in future years. It reflects the implementation schedules of two initiatives; the minister has transferred funding between two initiatives.

Senator CROSSIN—You have taken, effectively, money out of the National Approach Against Sexual Assault and put it into the Informed Choices for Women bucket. Is that correct?

Ms Bentley—Temporarily.

Senator CROSSIN—Temporarily? Where is the evidence that that money will be accredited back to that program?

Ms Bentley—If you look on page 49, under Informed Choices for Women, you will see that the estimate for that is \$1.484 million, which reflects the transfer of \$820,000-odd funding between the National Approach Against Sexual Assault and Informed Choices for Women programs. For the following year, the estimate for Informed Choices for Women is \$963,000. The original estimate for that was—and I am sorry, I do not have it here—some \$95,000 more than that, and \$95,000 will be transferred back to the National Approach Against Sexual Assault in 2003. In 2003-04, \$205,000 will be transferred back and, in 2004-05, \$525,000 will be transferred back. I believe those figures are in the current forward estimates contained in the AIMS system in the Department of Finance and Administration.

Senator CROSSIN—So we have a delay of three to four years for that money to be put back into the National Approach Against Sexual Assault strategy. Is that right?

Ms Bentley—That is correct.

Senator CROSSIN—What were the reasons again for the transfer of that money? What was the difficulty with the start-up of Informed Choices for Women?

Ms Parker—The funding will be used for the women's data warehouse, which OSW is managing. That is quite an expensive project and we have commissioned the Space Time Research company to build the data warehouse; that is a four-year contract of around \$480,000. Because of the expense of the data sets that we are buying from the ABS and the building of that data warehouse we required additional funds which were available from the National Approach Against Sexual Assault, as Ms Bentley has said.

Senator CROSSIN—On what basis was the decision made to take program moneys out of the National Approach Against Sexual Assault and put it into simply managing a database?

Ms Calder—As Ms Bentley has said, it was a question of balancing the initiation and development phase of two projects. The National Approach Against Sexual Assault strategy is new; it is by its very nature a very complex policy question. In the first months of the financial year after the budget initiative OSW, through a variety of means, sought staff who could be brought on board with some experience that would be relevant to designing such a strategy—that was very difficult. We finally put a team in place just prior to the election and,

as you would be aware, that period then required a hiatus in development. We have subsequently spent the first part of this year in very careful analysis of the approach that may be most suitable to this strategy and we have been providing the minister with a detailed briefing, which has been carefully discussed.

So it has been a process that, by its nature, was slower than we had anticipated when we first recommended the allocation of funds across the four years. Our advice was perhaps over-optimistic in terms of the timetable that we needed to apply to the development work. The rephrasing has addressed both that development work in the National Approach Against Sexual Assault strategy and the progress that could be achieved in the data warehouse development.

Senator CROSSIN—So there has been greater emphasis put by the OSW on building a data warehouse as opposed to continuing, as hard as it may well be, your initiative against sexual assault?

Ms Calder—Not at all, Senator. There has just been a different capacity to progress towards expenditure in one rather than in the other.

Ms Bentley—Going back in history a little, I would like to add that when developing a budget initiative costings are developed and agreed with the Department of Finance and Administration. Those estimates were actually prepared for Informed Choices for Women and the three other budget initiatives that we had. When we actually started to implement it we found that the estimate that we had for Informed Choices for Women was, unfortunately, less than we required to actually get the project off the ground. The up-front cost for signing on contractors to start developing those parts of Informed Choices for Women were much higher than we anticipated.

The minister, therefore, had a choice of seeking additional funds or halting the program. Under the appropriations guidelines, the minister has funds that are allocated to other women's programs in the Department of the Prime Minister and Cabinet and she has a role to look within her own appropriations for available funds in the first instance. I believe that that is a choice that she has exercised in this case rather than seeking additional funds from the budget in the first instance.

Senator CROSSIN—So you are suggesting to me that it was the minister that decided to take the funding out of the National Approach Against Sexual Assault. Is that correct?

Ms Bentley—The minister made the decision on advice provided by OSW.

Senator CROSSIN—Why was it decided that that area should be targeted for diminished funds in this year as opposed to, say, the executive search?

Ms Calder—I think I have responded to that. I said that in our estimates of expenditure under the National Strategy Against Sexual Assault, which we provided to the minister in the development of the budget initiative, we overestimated the extent to which we could establish some early projects. We have undertaken a very careful analysis of the available data and that has led to an identification in more depth of the inadequacy of the data that is available to us and, necessarily so, that could not be done prior to any budget initiative. That has led to our advice to the minister around the start-up strategy which has now emphasised promoting and funding the development of further data.

The first year of the national strategy has been more intensively focused on identifying the priority areas for attention than on moving perhaps a little more rapidly towards expenditure

in those priority areas. The focus has been on providing the minister with advice in order for her to make a decision about the strategic approach she wished to implement.

Senator CROSSIN—Are you saying that it was all too hard and all too complex, so that was the area that was targeted for having funds taken out of it?

Ms Calder—I have not used those words, Senator. I have said that we have put a great deal of effort into making sure that the directions taken and the early work done will underpin a very effective strategy that will have long-term, lasting outcomes.

Ms Bentley—In addition, the funding of the data warehouse will go a long way towards assisting work on the national initiative to combat sexual assault. The data that is contained in the data warehouse will be of direct relevance to that initiative.

Senator CROSSIN—When is the completion date for the data warehouse? Is it anticipated it will take as long as your women.gov.au web site to get up and running?

Ms Parker—We expect to launch it in October of this year.

Senator CROSSIN—How long as it been on the drawing board?

Ms Parker—We have only recently let the contract for the data warehouse. We signed the contract on 25 April.

Senator CROSSIN—Who with?

Ms Parker—It is with Space Time Research Pty Ltd from Melbourne. They are a software company.

Senator CROSSIN—Can we then go to Informed Choices for Women, the women's information strategy. With the data warehouse tender you have just signalled, what is the relationship between the work of that contractor and the ABS in determining the data collection?

Ms Parker—The data collection will be from the ABS. We are working very closely with the ABS. We have the project steering committee which is made up of OSW and the ABS.

Senator CROSSIN—What was the value of the contract that was let?

Ms Parker—The contract is about \$480,000. It is a four-year contract.

Senator CROSSIN—So \$480,000 over four years?

Ms Parker—Yes, that is right. Most of the costs will be in the first year, and then there are maintenance costs after that.

Senator CROSSIN—So there are no problems in dealing with the ABS through this contract arrangement?

Ms Parker—No; we are working very closely and effectively with the ABS.

Senator CROSSIN—What sort of data will actually be collected and displayed?

Ms Parker—The first sets of data will include labour force participation, superannuation and general population data. After that, we will possibly look at other data sets which are of interest to women.

Senator CROSSIN—So it is not necessarily targeted at sexual assault? Ms Bentley, perhaps you can indicate to me what the connection is between having this comprehensive database and the national approach against sexual assault.

Ms Parker—In terms of general data and information, the data will be useful for all our projects. The population data will include information on domestic violence, I understand.

Ms Bentley—We would expect that the violence against women material that the ABS currently holds would form part of that data warehouse.

Senator CROSSIN—In terms of what?

Ms Bentley—The incidence of violence, various surveys that have occurred in the past, data sets and the unit record data which may not have been mined to the extent that it has been in the past in terms of the incidence of violence, whether the victim knew the perpetrator, whether children were present and so on.

Senator CROSSIN—The data warehouse will have that level of detail in it?

Ms Bentley—Eventually.

Ms Parker—In the first instance we are just testing out general ABS data sets, so it will be information on, as I said before, labour force participation enabling users to be able to go in and look for specific information on women in that area. Over time we hope to extend the data warehouse after we have tested it to include other data sets and more specific information, and what we include will be dependent on what our clients want, what is being used and what women accessing it are interested in. There is potential for the data warehouse to be very large.

Senator CROSSIN—Would you have thought that those women who were actually victims of sexual assault would have seen that as a higher priority than leaving the money in the sexual assault program?

Ms Bentley—The sexual assault program will not be assisting or providing a service to individual women per se. What it will be doing is providing a coordinated and a leadership role to those other jurisdictions that actually deliver those services. Understanding the incidence, the lack of reporting and the number of reports around sexual assault is a basic piece of knowledge that one would require in order to establish a strategy.

Senator CROSSIN—So what is the National Approach Against Sexual Assault aimed to do?

Ms Bentley—Much like the Partnerships Against Domestic Violence program, it is about providing an avenue for coordinated policy and funding advice in terms of all those involved in dealing with sexual assault. It is to promote cultural change in attitudes and behaviours, to reduce the incidence of sexual assault, to identify and address the immediate and long-term impacts of sexual assault on women and children and the social and financial costs to the community. It is also to establish a consistent and coordinated framework for sexual assault reduction, prevention and interventions across all levels of government and the wider community. It will also, hopefully, develop an information strategy to facilitate access to national policy relevant data to inform strategies more effectively to prevent and respond to sexual assault.

Senator CROSSIN—So you do not believe that those organisations currently involved in delivering that sort of service would be aware of some of the data that you are trying to put up on this database already?

Ms Bentley—I am sure that some of them are aware. My understanding is that the data on sexual assault is collected under different sets of parameters in each state and territory. It is very difficult to get a national comprehensive picture of sexual assault across Australia. For

example, reporting a sexual assault is classified in different ways in different states. There are different definitions of what sexual assault is. There are other parameters which mean that there is no uniform data across Australia on sexual assault.

Senator CROSSIN—Under ‘Informed Choices for Women’ you have a communications item line in the PBS. What has that \$306,000 been spent on?

Ms Parker—Sorry, Senator; we will have to take that on notice. I do not have the information with me.

Senator CROSSIN—Can I go back to what you indicated a moment ago, Ms Bentley, about the domestic violence statistics around the country perhaps having an uncoordinated approach between each state and territory. Is your aim with the data warehouse to try and take that disparate sort of information and create one uniform database that all of the country can actually recognise and work with?

Ms Bentley—That would be ideal. However, I am not sure that it is achievable, because it would require state governments to change the way they have collected data about the issue. It would require the cooperation of state governments to change that.

Senator CROSSIN—Is your data warehouse just simply going to reflect the disparity of information that currently exists then?

Ms Bentley—There is some data that has been collected on a national basis which would certainly be included.

Senator CROSSIN—Yes, but my question was: will your database simply reflect that great disparity you just talked about from each state and territory—how statistics are collected differently and how states and territories classify information differently? Will that just simply be duplicated on your data warehouse site?

Ms Calder—Initially, the data that will be reflected in the data warehouse will be the most useful of the currently available statistics, yes. Some of the projects that are currently under consideration with the minister will address the lack of uniformity in the data and will endeavour to mine the existing data to provide a higher quality of interpretation of it than currently exists, and that will be loaded on the data warehouse as it is done. The intention of the data warehouse is to use existing data to its best possible extent—and that includes providing greater access to it than is currently readily available to the general public—and to improve steadily on the extent and quality of that data.

Senator CROSSIN—So are you simply duplicating what is already out there?

Ms Calder—As I said, in the first instance, the data warehouse will include that existing data at its most effective—so, not necessarily all data, but that which is most reflective and useful—and it will then take on board new data and better applications of existing data as they are developed.

CHAIR—May I interrupt briefly on an administrative matter. We will continue this morning through the department’s outputs 2, 3 and 4. At the rate we are going, we will probably not finish them by lunchtime. Directly after lunch the committee will be examining the Australian National Audit Office and the Office of the Commonwealth Ombudsman, and then will go back to the department if it is not finished by lunchtime. Mr Henderson, is that clear?

Mr Henderson—That is clear. We need to give quick answers this morning so that we can be finished by lunchtime.

CHAIR—But if we have not finished, we will go back to the department this afternoon.

Mr Henderson—I understand that we will not be on immediately after lunch if we are not finished by lunch.

CHAIR—Thank you.

Senator Hill—Chair, are we sure we are not taking a disproportionate part of the time with the Office of the Status of Women?

CHAIR—I am in the hands of my fellow senators on this, Minister.

Senator Hill—In this business, you can talk forever—I know that.

Senator CROSSIN—We have not had OSW before us in estimates for a long time, Senator Hill.

Senator Hill—I raise it because I thought we had finished with the Office of the Status of Women last night, and now you are saying it will not be finished until lunchtime.

CHAIR—Not necessarily, Minister.

Senator ROBERT RAY—If I am here, it is not going to go another five minutes—is it, Trish?

Senator CROSSIN—I have one last question I need to ask and then I will put the rest on notice, but please bear in mind that OSW have not been before estimates for a while, Senator Hill. You need to remember that.

CHAIR—If we have not finished the department by lunchtime, we will interrupt the examination of the department and look at the audit office and the Commonwealth Ombudsman. But hopefully we will be finished by lunchtime, Mr Henderson and colleagues.

Senator CROSSIN—I have quite a number of questions I will put on notice. Just for the record, Senator Hill, you should bear in mind that we have not had OSW before us in estimates for quite a while, so an hour and a half is probably very light on in the last 12 months, given the amount of money they get to spend. I am interested to know about the Women's Industry Network Seafood Community, to which you provided \$25,000 in 2000-01. How many women does that network represent?

Ms Calder—I think we might need to take that particular aspect on notice. I do not believe we have that information to hand.

Senator CROSSIN—Do you know what the \$25,000 allocated to them was for?

Ms Calder—We are having difficulty finding that particular project in the range of documents we have. We may need to provide that information to you.

Ms Bentley—I have it. It states:

The project focussed on the need to achieve balanced and effective representation of seafood women in decision-making at Board, Council and Governing body levels. It aimed to provide professional development, support and mentoring for the promotion of women in the seafood industry into leadership and decision-making roles.

A resource kit has been developed to support seafood organisations as they move towards the gender balance representation of women in decision-making. In addition, a research report on the findings of a survey conducted to determine the number of seafood women represented on industry boards is now available.

The project was launched on 31 August 2001.

Senator CROSSIN—Has that program's effectiveness been evaluated?

Ms Parker—The women's development projects include a component for evaluation. At the end of each project the groups that are funded are required to evaluate the project.

Senator CROSSIN—Are you able to provide me with a copy of the evaluation of that particular project?

Ms Parker—We will have to take that on notice, Senator.

Senator CROSSIN—Are you aware that this group has applied for and received funding from another source?

Ms Bentley—As part of the grants programs when we provide grants applicants are required to list all sources of funding that they have at the time and any applications they have in for funding. If they have applied for that afterwards, we may not be aware of that. However, if they had the funding or had an application in for the funding at the time that they applied for the grant, I believe we would be aware from the application.

Senator CROSSIN—Are you aware that this same Women's Industry Network Seafood Community received \$264,000 from the Department for Agriculture, Fisheries and Forestry for almost exactly the same thing?

Ms Calder—As Ms Bentley has said, that information, if it was available prior to the application to OSW, would have been requested in the project materials that are provided to every project applicant. Secondly, OSW has from time to time in project grants been a co-sponsor, funder or auspice for projects that are undertaken by women's organisations and women's industry groups. Thirdly, OSW has invested in supporting the development of capacity in women's organisations to seek funding from other organisations and government agencies as part of the mainstreaming strategy.

Senator ROBERT RAY—But you have not answered Senator Crossin's question. Were you aware? That is what she asked you.

Ms Calder—I have said that if we were aware it would be in the documentation. We do not have that to hand at the moment.

Senator CROSSIN—Can you find out for me whether or not they had this funding or were intending to apply for this funding at the time that they applied for the grant money from your area? Can you take that on notice?

Ms Calder—Yes, we can.

Ms Parker—May I clarify a question you asked earlier about the communications strategy under Informed Choices for Women? I have the information in front of me.

Senator CROSSIN—This is the \$306,000, is it?

Ms Parker—Yes. The communications strategy includes a range of things including for the women's portal and the National Women's Conference. We do publications as well. Those are the sorts of activities that come under that.

Senator CROSSIN—Just before I finish, Ms Calder, as to the money that went to the Women's Industry Network Seafood Community, at point 2 you said that sometimes the OSW fund women's organisations in conjunction with other projects. Was that in fact the case in this instance?

Ms Calder—I do not know that it was specifically the case in this instance at all. We would have to refer to the documentation. This project was launched almost a year ago, so the application would now go back at least 18 months. We can provide that documentation to you. I was merely clarifying that in some instances that is indeed understood and is undertaken as a way of supporting an organisation's development or the provision of advice.

Senator CROSSIN—Could you take that on notice.

CHAIR—Are there any further questions on output 2? Are there any questions on output 3, International policy advice and coordination?

Senator FORSHAW—Could we go back to the issue that was raised at the last meeting when Mr Moore-Wilton actually appeared regarding the reprioritisation of aid to Papua New Guinea. Mr Moore-Wilton said—at least on two or three occasions he was emphatic—that the negotiations had taken place in October, well before the meeting of the prime ministers at APEC. That is not correct, is it?

Mr Henderson—Mr Potts and possibly Ms Belcher can address your questions on this topic.

Mr Potts—The meeting between the two prime ministers took place in Shanghai on 21 October. At that meeting Sir Mekere Morauta indicated to the Prime Minister that there was a cash flow problem in Papua New Guinea and that his government wanted to see a reprioritisation of a number of areas of Australian assistance. It was agreed at that meeting that there would be subsequent discussions at officials' level. They took place in Sydney on 26 October.

Senator FORSHAW—Just before we come to the 26 October meeting, as I said, Mr Moore-Wilton said on at least two occasions that I can find, and I think there were more, that there was a clear separation, if you like, between this issue first being raised and the APEC meeting where he did acknowledge that the issue was also discussed between the two prime ministers. When did the first request from Papua New Guinea actually come to be made to the Australian government or to the Australian High Commission in New Guinea?

Mr Potts—I think it is fair to say that in the week or perhaps 10 days preceding the meeting in Shanghai we got indications through the mission in—

Senator FORSHAW—Can you be a bit more specific because it is important. Mr Moore-Wilton has provided a series of corrections to his evidence, and I have to say it is intriguing to try and understand how Mr Moore-Wilton got this so wrong in his earlier evidence. He could not recall that the Shanghai meeting was in October; he said it was in November—which seems to me to be a pretty gross error for the secretary of the Prime Minister's department, since he was there. Isn't it the case that the request first came to be made on or about 17 October, and then there was a letter on 19 October?

Mr Potts—I do not have those specific—

Senator FORSHAW—I can help you. Mr Moore-Wilton said that in his correspondence to the committee.

Mr Potts—I do have some details here. On 17 October, Mr Igara, the Chief Secretary to Government in Papua New Guinea, told our high commissioner in Port Moresby that he would be sending a letter the following day requesting that Australia reprioritise its aid program.

Senator FORSHAW—On 17 October, he told the high commission in Port Moresby that he would send a letter the following day?

Mr Potts—Yes. That letter was not received, but on the day after that—19 October—the deputy high commissioner in Port Moresby was informed by a senior official that Prime Minister Morauta would like Australia to reprioritise its aid program in order to accommodate lower than expected proceeds from the privatisation program in Papua New Guinea. That was on 19 October.

Senator FORSHAW—Two days later, on 21 October, it was discussed between the two prime ministers in Shanghai?

Mr Potts—That is correct.

Senator FORSHAW—I know Mr Moore-Wilton is not here, but are you able to explain how he got this so wrong on the last occasion?

Mr Henderson—There was no warning in advance of those hearings that these dates were going to be raised. I certainly do not have now a photographic memory of my diary in September-October last year, and I would not have had that in February. A secretary or any other person with a very busy schedule cannot be expected off the top of their head to recall the precise sequence of these things. We had been through before that September-October was a very busy time—with September 11, Ansett and the cancellation of CHOGM, there was a whole series of significant developments. He could not recall it off the top of his head, and he has corrected the record.

Senator FORSHAW—Surely you would recall and Mr Moore-Wilton should be able to recall the dates of the APEC meeting. This was a major event. It was the biggest gathering of leaders of this region late last year. The Secretary of the Department of the Prime Minister and Cabinet was there, wasn't he? He attended?

Mr Potts—Yes.

Senator FORSHAW—Surely he and the Prime Minister, who were there, would be able to recall that it was in October and not in November.

Senator Hill—Perhaps we all should have remembered.

Senator FORSHAW—The point is that Mr Moore-Wilton was at great pains to argue that this issue had been first raised in October—and he was able to indicate that that had occurred, but he could not quite recall the dates—and that it had been in effect agreed, or at least progressed substantially, before the two prime ministers met in Shanghai in November. That was the evidence that he put on that occasion, wasn't it? He said:

All I can say to you is that the reprioritisation of aid, as an issue, was discussed before the APEC meeting and agreement in principle was reached.

He also said:

I can be quite explicit that for the agreement negotiated between Australia and the government of Papua New Guinea the negotiations took place in October well before any meeting between the two prime ministers in Shanghai in November.

Isn't it the case that, rather than this issue being largely negotiated and resolved before APEC, it was integrally tied up with the discussions between the two prime ministers at APEC and had not been resolved at that time but was resolved shortly thereafter?

Mr Potts—I think it was fair to say that the needs of Papua New Guinea were identified and we had a first focus at officials level in Australia on possible approaches we might take. That was before the APEC meeting. The APEC meeting itself took matters a little further by having the request made at head-of-government level to the Prime Minister. Clearly, the matter was resolved at the meeting on 26 October.

Senator FORSHAW—The correction that has been made by Mr Moore-Wilton says that, following the meeting by the two prime ministers in Shanghai on 21 October, Mr Howard agreed that senior officials should urgently examine the reprioritisation of the existing aid program. Then meetings took place on 26 October. Why was it necessary to urgently examine this issue? What was so urgent about it at that time?

Mr Potts—The reason for the urgency was that the shortfall in privatisation proceeds meant that there was a cash flow problem in the Papua New Guinea treasury.

Senator ROBERT RAY—Can you name one year—one calendar year, because there they go year on year—in the last eight years when, around September-October, PNG has not faced a financial crisis and a cash flow problem? Can you name one year of the last eight?

Mr Potts—I am not an expert in Papua New Guinea cash flow, so I cannot answer that question to your satisfaction.

Senator ROBERT RAY—It happens every year—that is my point. What Senator Forshaw is probably asking is: why is sudden reprioritisation and drastic action happening on this occasion? Or does it happen on every occasion?

Mr Henderson—Like Mr Potts, I am not an expert on the cash flow of New Guinea over the last decade, Senator, but if you have the evidence to demonstrate that then maybe it is true.

Senator ROBERT RAY—I did not want to interrupt Senator Forshaw's flight, but it seemed to me, listening to your evidence, that there were special circumstances this time. I was only trying to say that, over a number of years, the same thing has happened: the army has not been paid properly for the last three months; the police run out of funds. What is so different on this occasion? Is I guess what I am asking and what Senator Forshaw is asking.

Senator Hill—There are other instances where special support has been given as well.

Senator FORSHAW—Have they normally been resolved within a matter of seven days or so?

Senator ROBERT RAY—Of course not.

Senator Hill—I do not know the answer to that, but I can think of one recent one in relation to Defence. Within the last few years, there was the major financial restructuring that brought in the international institutions, didn't it? So I think it is a relatively commonplace occurrence that there are financial concerns in PNG, and it is not unusual for Australia to be asked to assist.

Senator FORSHAW—We are dealing here with reprioritisation of the AusAID program. When did officers attached to AusAID get involved in negotiating this?

Mr Potts—AusAID was represented at the meeting in Sydney on 26 October. Director-General Bruce Davis was there, as was Assistant Director-General Michael Dillon. I should add as well that they had been involved in the examination by officials of options in the week or 10 days prior to that.

Senator FORSHAW—So that really means that the agreement in principle was finalised either by the prime ministers at their meeting or certainly by Mr Moore-Wilton.

Mr Potts—I think the prime ministers agreed simply that there be an urgent meeting at officials level to chart a way forward. That happened on 26 October. They reached agreement in principle and then I think a senior AusAID official travelled to Port Moresby on 31 October, which led to an exchange of letters on 2 November. That formalised the outcome.

Senator FAULKNER—Do you always have the caretaker conventions in mind?

Mr Potts—Yes.

Senator FAULKNER—How did you take account of the caretaker conventions at this time?

Mr Potts—The caretaker conventions permit the provision of advice to ministers on urgent domestic or international issues to allow responsible ongoing administration or to protect Australia's interests. The decision by the Prime Minister and the Foreign Minister to agree to the reprioritisation proposals was not a breach of the caretaker conventions as it did not represent any new policy direction under the PNG development cooperation program. There were no new contracts issued. The changes were a readjustment of funding levels within existing agreed priority categories of health, education, infrastructure and governance and within existing expenditure approvals. As such, it did not amount to a major policy decision or new undertaking and that was the parameter within which the officials worked.

Senator FAULKNER—Who prepared that that answer that you have just read into the *Hansard*?

Mr Potts—That was prepared within the Department of the Prime Minister and Cabinet.

Senator FAULKNER—Yes. I asked: who prepared it? Who prepared the script for the answer to the question that I asked?

Mr Potts—That was developed between International Division and Government Division.

Senator FAULKNER—Did you tick it off?

Mr Potts—Yes.

Senator FAULKNER—So one of your officers prepared it. But who? Who prepared the written script that you have just read into the *Hansard*?

Mr Potts—I cannot recall that.

Senator FAULKNER—Isn't there a note which says who prepared it at the bottom of the document you have just read?

Mr Potts—No, there is not.

Senator FAULKNER—It is just a blank sheet of paper?

Mr Henderson—We never sign answers to questions on notice.

Senator FAULKNER—It is not a question on notice, although you obviously would not have to be a genius to predict it was coming.

Senator ROBERT RAY—It was a masterpiece of weasel words; we just want to know who the great author is.

Mr Potts—This wording, the gist of which I have read into *Hansard*, has already been provided as the answer to a question on notice.

Senator FAULKNER—Yes, but I am asking who prepared it.

Senator Hill—I do not know that we normally name individual officers, particularly when their work has been described as ‘a masterpiece of weasel words’. The senior officer will take responsibility for the brief that has been—

Senator FAULKNER—When was it prepared then, Minister? It is too tough a question to ask who prepared it. We do not want to ask you too curly questions like: who did it? That is far too tough to answer.

Senator Hill—Mr Potts said that it was prepared within the International Division.

Senator FAULKNER—Thank you very much. That is terribly helpful. When was it done?

Mr Henderson—It is an answer to a question that you raised at the last Senate estimates when we met here on 18 February. It is *Hansard* reference 79, so it is an answer prepared to your question.

Senator FAULKNER—I know that.

Mr Henderson—And it is common that an answer of that sort would be prepared by a combination of the Policy Division, with the knowledge of the actual event, and advice from Government Division. As you know, Government Division is the custodian of the caretaker guidelines.

Senator FAULKNER—I do know that, and I do know the background to this question on notice. But this has been now supplied with additions and added nuances in answer to a question asked at the table. So it is a different category now, isn't it, Mr Henderson? There have been additions, haven't there? The odd added nuance? The odd twist?

Mr Potts—The only addition I made to the wording was to say that was a parameter within which the officials concerned operated, or words to that effect.

Senator FAULKNER—So how did you satisfy yourself, Mr Potts, that you were operating within the caretaker conventions at the time?

Mr Potts—At the time, I recall that my division consulted Government Division.

Senator FAULKNER—When did that happen, Mr Potts?

Mr Potts—I am sorry, I think that answer is incorrect.

Senator FAULKNER—You did not consult with the Government Division at the time?

Mr Potts—No, I consulted one or two of my colleagues within the division who had been in the division longer—

Senator ROBERT RAY—Within ‘your’ division—it was not clear for *Hansard*.

Mr Potts—Within my division—I think one of whom, in particular, had been through a previous caretaker convention period.

Senator FAULKNER—Did you or did you not consult Government Division? We have just been informed, quite rightly by Mr Henderson—as usual, he is right on the ball with this—about Government Division's important role in relation to caretaker conventions. I would acknowledge yet again that he has been able to assist the committee in the advice he has given us. Did you or did you not consult the Government Division?

Mr Potts—No, not at that stage.

Senator FAULKNER—Thank you. What do you think of that, Mr Henderson?

Mr Henderson—As it has turned out, International Division got it right. They were working on the basis—

Senator FAULKNER—That is your opinion, not mine. You gave us the big wrap-up of how terrific Government Division—

Mr Henderson—We were talking about the written answer that was provided to your question. They were working in a framework where decisions had already been made by the government.

Senator FAULKNER—Oh, come on! You give us the big schmooze about how good Government Division are on this—and you are right, they are experts on caretaker conventions. The truth is, Mr Potts's division never consulted them. We just heard it! We heard from you how terrific Government Division are on caretaker conventions, and I agree with you; they are very good at that. Ms Belcher is an absolute expert on that—we know that. Mr Potts did not even seek their advice.

Mr Henderson—He has referred to the fact that he had officers within the division that had been through previous election periods when everybody's mind is focused—

Senator FAULKNER—Everybody who has been in the Commonwealth Public Service for at least three years has that experience. So what?

CHAIR—Senator Faulkner, I think Mr Potts had something to say.

Mr Potts—Can I mention as well that, when the dissolution was imminent, Government Division—or, I think, in fact, the secretary—circulated the latest guidelines for the caretaker convention period. They were circulated to all officers and were also available on the intranet. We were aware of that and that was part of the background to the way we operated during that period.

Senator ROBERT RAY—You thought you were operating within the bounds of the caretaker convention, so you regarded that there would be no obligation to advise the Prime Minister to consult, let us say, the Leader of the Opposition on this?

Mr Potts—We were clear that, when we were talking about a reprioritisation of aid which did not involve breaking new policy ground, we were comfortable operating within the caretaker convention.

Senator ROBERT RAY—Yes, but why the absolute urgency to act within that time frame? Are you arguing that, by mid-November when a new government would have been in place, it was too late? Is that what you are telling us now?

Mr Potts—It was evident from the number and range of approaches that our high commission received in Port Moresby and then from a meeting between the two prime ministers that there was a high degree of urgency about the request.

Senator FORSHAW—But in Mr Moore-Wilton's answer that he supplied, he says:

It was indicated to Prime Minister Morauta that a minor readjustment of around 10 per cent of the existing aid allocation and programme to PNG could be considered.

It says that we would consider 'a minor readjustment' of the program—but then it was decided that it needed to be urgently examined?

Mr Potts—The minor readjustment was, in fact, what happened.

Senator FORSHAW—Yes, but what made it so urgent, if it was a minor readjustment?

Mr Potts—It might have been minor from the Australian perspective—

Senator FORSHAW—Well, it was!

Mr Potts—but from the Papua New Guinea perspective, it was obviously more urgent.

Senator FORSHAW—I see. But what does that tell us?

Mr Henderson—It tells us that the Australian economy and budget are large and that the Papua New Guinea ones are—

Senator FORSHAW—Come on. We are not talking about comparisons of the two economies. Our response at the meeting between the two prime ministers on 21 October was that we would consider a minor readjustment of 10 per cent to the program. I can understand that it might be argued that it was significant on the ground in Papua New Guinea, but we were saying that we would be prepared to consider a minor readjustment. I still want to know why we then decided it was so urgent.

Mr Henderson—Mr Potts indicated that the urgency was being signalled from the Papua New Guinea end.

Senator FORSHAW—That has not been said anywhere at any time by Mr Moore-Wilton. It has never been put to us—until you just said so today—that it was pressed upon the Australian government, the Prime Minister or any other official that this was an urgent request. Today is the first time that has been said. There is nothing in any of the responses to indicate that the officials in Papua New Guinea or the Prime Minister of Papua New Guinea ever said that it was urgent and that it had to be fixed up within a matter of 10 or so days.

Mr Henderson—Mr Potts referred to the advice from the high commissioner.

Senator FORSHAW—The request came.

Senator Hill—These things are always urgent.

Senator FORSHAW—They are always urgent?

Senator Hill—Yes.

Senator FORSHAW—In the answers supplied by Mr Moore-Wilton—and I am just trying to see whether there is a date on the letter—in response to Senator Faulkner's question, on pages 78 and 79, he says that 'implementation is currently under way but is not yet finalised'. This has obviously come in since the last estimates hearing in February. You might be able to tell me when that letter was sent to the committee.

Mr Potts—I believe it was 20 February.

Senator FORSHAW—Three months after the settlement of this supposedly urgent issue, they were still working through the implementation process of a reprioritisation. That is the case, isn't it?

Mr Potts—I cannot speak to the details of this, obviously, because this—

Senator FORSHAW—If that is the case—

Mr Potts—Can I finish here, please. I cannot speak to the details of this—as this is obviously a matter for AusAID—but implementation is a very wide envelope. Projects typically have a long life, and to say that implementation is currently under way and is not yet finalised is a statement of the way aid projects work.

Senator FORSHAW—So what you have is a program that has been arranged and previously agreed. Then, you tell us, there is a request made that money be reprioritised within that program and that it be absolutely urgently resolved, within a matter of seven days. Then, three or four months—maybe longer—down the track, it has not occurred. Do you know whether the reprioritisation has been implemented yet?

Mr Potts—I think I would have to take the details on notice. But if you look at the various sectors, one, for example, was reprioritisation in the area of highways. Typically, expenditure on roadworks is not going to be done in a matter of weeks.

Senator FORSHAW—Therefore it is urgent to settle the request. It is urgent to make the promise, or to rearrange the promise, but that is the extent of the urgency during the caretaker period of government.

Mr Henderson—Mr Potts has made the point that you can make some quick decisions on things, but you cannot build new roads in a matter of weeks.

Senator FORSHAW—That is just telling me the bleeding obvious; I know that. I am trying to understand how it is that you determine almost overnight the reprioritisation of the allocations of an ongoing aid program, which I understand is negotiated over a period of time, bearing in mind that these projects do have a lead time, if they are new projects or if there is a lot of work involved in implementing them. Can you explain to me why that is the case?

Mr Potts—In any aid program to a partner country, reprioritisation occurs as a matter of course. Typically, an aid program is a three-year program.

Senator FORSHAW—I do not think that helps your position, if it occurs as a matter of course.

Mr Potts—It is subject to constant change.

Senator FAULKNER—Could I ask you this: in these negotiations, were the words ‘asylum seeker’, ‘Manus Island’, ‘election’ or ‘fix’ ever used?

Mr Potts—What was the last term, please?

Senator FAULKNER—‘Fix’.

Senator Hill—Mr Potts wants to know what that means.

Senator ROBERT RAY—Fifteen points in Scrabble.

Mr Potts—I do not believe so.

Senator Hill—That is not a serious question.

Senator FORSHAW—In respect of your last comments and your answers about the ongoing nature of these negotiations and programs, Mr Moore-Wilton told us that there had been negotiations going on—I think he said in excess of 12 months—on how we might assist the reform and rationalisation of the Papua New Guinea Defence Force. There was a decision early last year to allocate \$20 million for that project. Do you recall?

Mr Potts—Yes.

Senator FORSHAW—We have a \$20 million program which was negotiated well over 12 months. Why was that different to a reprioritisation of an existing program worth \$34 million of reprioritised allocations, and that took the grand total of nine days, from 17 October to 26 October? This one starkly stands out, doesn’t it, as to how quickly it was raised, negotiated and agreed on?

Mr Potts—No; I think it is fair to say in the case of the reform of the Papua New Guinea Defence Force that, while it was an ongoing issue between the two governments, events moved quickly towards the end.

Senator FORSHAW—Isn't that why it might have been seen by a lot of people, I would have thought, as even of a more urgent nature, in terms of reaching a decision on the allocation of funds, than some of the other issues? I am not suggesting that health, education and those things are not urgent issues, but—as was said before by Mr Henderson—you just cannot solve those issues that quickly.

Mr Potts—The first point to make is the allocation notionally provided for reform of the Papua New Guinea Defence Force was separate from the development cooperation program, so there was no necessary implication one from the other. The second point to make is that we had been pressing the Papua New Guinea government for some time to provide what they had called a home-grown plan for the draw down in the Papua New Guinea Defence Force. That had followed—

Senator ROBERT RAY—When did pressing for that start?

Mr Potts—That was in 2001, earlier in the year. We had been pressing them on and off for several months.

Senator ROBERT RAY—I thought they had been pressed since 1991 on this subject.

Mr Potts—No. I used the term 'home-grown' as a contrast to the previous option which had been pursued, and that was implementing the report of the Commonwealth Eminent Persons Group. That process was aborted, and the Papua New Guinea government then focused on what they themselves called a home-grown plan. They were developing that in the course of 2001. We put a number of important benchmarks around the provision of our assistance and it took them some time to come up with a proposition which, on the face of it, looked like it was one that we could discuss with them.

Senator FAULKNER—Mr Potts, in terms of the negotiations that are conducted by departmental officers, officers of the Department of the Prime Minister and Cabinet, in relation to these matters—and I am talking about those that were conducted during the period of last year's federal election campaign when the caretaker conventions, you would acknowledge, applied—I want to know whether the issue of asylum seekers and Manus Island was raised during those discussions by—

Mr Potts—On 8 October when there was a discussion of Papua New Guinea Defence Force reform, agreement was reached that morning on an implementation plan. After that agreement was reached, the secretary, Mr Moore-Wilton, then broached the issue of a possible Papua New Guinea option for asylum seekers.

Senator FAULKNER—Oh, really. And how did he raise it?

Mr Potts—He raised it by saying there was an avenue by which Papua New Guinea might be able to assist Australia, and then raised the problem that there were a number of asylum seekers and would there be a possibility of Papua New Guinea being able to provide temporary accommodation for them.

Senator FAULKNER—How do the caretaker conventions apply to that?

Mr Potts—This was before the caretaker—

Senator FAULKNER—What date was this one? This was the 8th, was it?

Mr Potts—This was 8 October.

Senator FAULKNER—I did not hear the date, but my question actually went to—and I thought I made the qualification—those meetings during the period of the election campaign when the caretaker conventions applied. I meant to say that. Did I say that, Mr Henderson? I thought I had, but I may not have.

Mr Henderson—Yes, I think you did.

Senator FAULKNER—So I just assumed you were talking about a meeting during the caretaker period. Anyway, that was 8 October, was it?

Mr Potts—That is correct.

Senator FAULKNER—So it was raised on 8 October, and you can give us the date when the caretaker convention kicks in?

Mr Potts—Noon on the 8th.

Senator FAULKNER—Noon on the 8th; that is right. So what time eastern standard time—no, eastern summer time—

Senator FORSHAW—Yes, there was daylight saving.

Senator FAULKNER—Eastern summer time. Anyway, when did these negotiations take place?

Mr Potts—Before noon.

Senator FAULKNER—Before noon. Just made it, eh?

Mr Potts—Before noon.

Senator FAULKNER—When? We have just scraped in, but when did it happen? Exactly when? What time of day?

Mr Potts—Before noon.

Senator FAULKNER—I want to know what time.

Mr Potts—I cannot be precise about the time.

Senator FAULKNER—This is important, because this is the day the caretaker conventions kicked in.

Mr Potts—I would say approximately 11.30.

Senator FAULKNER—You are kidding, Mr Potts! You say Mr Moore-Wilton made it by half an hour.

Mr Potts—No, what I am saying is that the meeting began at 9.30. There was a substantial focus on Papua New Guinea Defence Force reform; that took quite a while to dispose of. When it was disposed of, the meeting then turned to Mr Moore-Wilton's proposition about asylum seekers.

Senator ROBERT RAY—Were there any other official discussions at a lower level about this issue before Mr Max Moore-Wilton raised it at this meeting?

Mr Potts—I do not believe so.

Senator ROBERT RAY—That is very unusual; usually these things go to this level, then that level and then up.

Senator FAULKNER—Mr Henderson, you might prefer to answer this, but Mr Potts seems to be able to give at least some advice on it. Mr Potts, you are saying that these supposedly separate issues—that is, Australian financial assistance to PNG on the one hand, and PNG taking asylum seekers off Australian hands on the other—are raised in different parts of the same meeting, half an hour before the caretaker conventions kick in. You have to be kidding!

Senator ROBERT RAY—When was an announcement made in relation to the second matter?

Mr Potts—I am not sure; it is outside my immediate area. I recollect it was probably in the day or so following.

Senator ROBERT RAY—Let us get back not so much to what was discussed, because I do not want go to that, but to what was agreed at 11.30 on 8 October. Can we have an explanation of what was agreed in terms of where we were going to assist PNG, first of all, and, secondly, how PNG reacted in a positive way to the issue raised by the secretary of Prime Minister and Cabinet?

Mr Potts—On the question of PNGDF reform, the agreement was essentially commitment to a road map to implement the first tranche, worth \$20 million, of Australian assistance to reform the Papua New Guinea Defence Force, to draw down the numbers.

Senator ROBERT RAY—I have been a bit presumptuous here. Who was at the meeting? I do not expect every official to be named.

Mr Potts—It was a meeting between the secretary and the Chief Secretary of Papua New Guinea, Mr Igara.

Senator ROBERT RAY—Whereabouts was it?

Mr Potts—It was in Sydney. Dr Hawke, the secretary of defence, Mr Warner, our high commissioner in Port Moresby, Ken Baxter, who is treasury adviser to the Papua New Guinea government, and I were present.

Senator FAULKNER—Where in Sydney was it?

Mr Potts—It was in Mr Moore-Wilton's office in the Prime Minister's suite.

Senator FAULKNER—When did this meeting start?

Mr Potts—At about 9 or 9.30. I cannot recall exactly.

Senator ROBERT RAY—Let us say it started at 9.30, which I do not think is either here or there. So the first two hours were spent discussing proposals to reorder priorities—was that it?—or on additional money to assist the PNG Defence Force?

Mr Potts—The focus for the first hour and a half or hour and a quarter—not two hours—was on ascertaining that Papua New Guinea had a road map that was acceptable to us in terms of how the first tranche—which we had indicated some months earlier might be available, subject to the provision of a suitable plan—could be implemented. So we went through the financial modalities: who would audit it, what it would be subject to and so on.

Senator FAULKNER—Who was the minute taker or the note taker at the meeting?

Mr Potts—There was a no formal record, partly because—

Senator FAULKNER—That is handy!

Mr Potts—It was a small meeting and all of the officials were necessarily involved in the discussion.

Senator ROBERT RAY—And when was the meeting convened? You met there on the 8th, but when was the meeting called?

Mr Potts—I cannot recall exactly, but I think it would have been early the previous week.

ACTING CHAIR (Senator Murray)—If I can interrupt briefly. In about 10 minutes, at a quarter to, we will take a break for 15 minutes—just to give you a bit of a warning. Whilst I have got your attention, I will record for formalities that we have received a letter from Harry Evans concerning estimates hearings of former ministers as witnesses and we will take that as a formal document. Just one other thing. There is a photographer here. I presume no-one objects to a photograph being taken.

Senator ROBERT RAY—Senator Heffernan is not about? Okay. Mr Potts, I just finished asking you a question as to when the meeting was called and you said, ‘I think in the previous week,’ and that satisfies me. Was there any knowledge at the time the meeting was called, or at any stage, that at midday the caretaker conventions would kick in?

Mr Potts—I think it was a matter of general knowledge within Prime Minister and Cabinet that the caretaker convention would apply from midday on 8 October.

Senator ROBERT RAY—Ms Belcher, if in fact this discussion had been more protracted and the agreement reached after 12 o’clock, would that therefore mean under the caretaker convention that at least the Leader of the Opposition and maybe the opposition immigration spokesman would have had to have been consulted as to the decision?

Ms Belcher—Senator, this goes to the issue of the aid aspect.

Senator ROBERT RAY—No, I do not think so because it has been argued on the aid thing that there had been previous decisions, that this was a reprioritisation but it does not involve new expenditure both on the military and on the general aid side. So let us be generous and accept that for the moment. The decision on asylum seekers and any agreement around asylum seekers in regard to PNG or Manus Island specifically would be I would argue—and you do not have to agree—new policy. The caretaker convention did not cut in till midday so what I am really asking you is: from your experience—and if you cannot answer, just say you cannot answer—if that decision had been made not at 11.30 but at 12.30, would there have had to have been consultation with the Leader of the Opposition and maybe the shadow spokesman on immigration? Would that have had to apply?

Ms Belcher—Senator, I deliberately tried to separate the aid issue from the issue of asylum seekers because advice was sought from Government Division in relation to both matters. So if I could talk first about the issue that was to be discussed at the 9.30 meeting. Government Division was approached some time in the days before that—and I do not know whether it was the Friday or over the weekend. While the discussions were going to be based on an earlier government decision, nonetheless the road map that Mr Potts referred to was going to be firmed up at that meeting and I said that I thought it would be better if it happened before the caretaker conventions began. At that stage there was no mention at all of asylum seekers.

Senator FAULKNER—Who approached you, Ms Belcher?

Ms Belcher—It was someone within International Division. It was not Mr Potts; I cannot recall who it was. There was no mention of asylum seekers at all at that stage. I had not understood—and Mr Potts will correct me—that any agreement was reached on the Monday,

but I did receive requests for advice about the possibility of reaching an agreement with initially, for my purposes, an unnamed country to receive asylum seekers and I discussed it in terms of: 'Could you see it as continuing new policy? Would there be money involved?' et cetera. I was assuming that it was an urgent matter that could not be put off until after the caretaker period ended five weeks later. It could proceed, but the opposition should be consulted.

Senator ROBERT RAY—Who approached you the second time?

Ms Belcher—There were two approaches: one was from the department of immigration—

Senator ROBERT RAY—Who was that?

Ms Belcher—I would need to confirm who it was. There was a reference to discussions that a deputy secretary might be about to have, so it was at a level more junior than a deputy secretary but I cannot recall offhand who it was. The second request was from Mr Moore-Wilton.

Senator ROBERT RAY—So we can presume from that, Mr Henderson, without being unkind, that after the defence discussions the issue of asylum seekers in PNG was always going to be raised.

Mr Henderson—We can assume that it was always going to be raised?

Senator ROBERT RAY—Yes.

Mr Henderson—Yes, I think that is a reasonable assumption.

Senator ROBERT RAY—I know we have gone a long, convoluted route, but I again ask the question—and I will summarise what you said, Ms Belcher—if the decision was to be made on asylum seekers, you would think consultation was necessary, but consultation was not necessary on the question of aid related to the road map for the PNGDF?

Ms Belcher—Yes, for two reasons: firstly, it was based on an earlier government decision; secondly, it was taking place before the caretaker conventions began. It was a day or two later that I was approached about asylum seekers.

Senator ROBERT RAY—I am sorry.

Senator FAULKNER—Did you give written advice on the asylum seekers issue?

Ms Belcher—No.

Senator FAULKNER—Just verbal advice?

Ms Belcher—They were both quite quick phone calls.

Senator FAULKNER—Verbal advice to both Mr Moore-Wilton and the deputy secretary of the department of immigration?

Ms Belcher—Yes. It was not the deputy secretary of Immigration; it was someone calling on his behalf.

Senator FAULKNER—I heard how you described the advice: basically, that the relevant opposition spokesperson should be informed. Did that have any caveats on it?

Ms Belcher—No. I am not sure what you are getting at.

Senator FAULKNER—I may have misunderstood you. What was the second set of advice on the asylum seekers issue?

Ms Belcher—I weighed up the issues—whether it was considered by the people who approached me to be new policy, whether it was binding and whether it involved expenditure—and on that basis it seemed to fall into the category of something one would not normally do during a caretaker period. There was the urgency that meant that asylum seekers could not be put aside for five weeks during the caretaker period. Therefore I said that, given the urgency, it seemed that it was necessary for it to go ahead but that the opposition should be advised because—

Senator FAULKNER—The opposition should be advised?

Ms Belcher—Yes.

Senator FAULKNER—That was clear advice—that the opposition should be advised if it went ahead?

Ms Belcher—Yes, and my understanding is that the opposition was advised. I do not know, but I thought that was the case.

Senator ROBERT RAY—Chair, can I withdraw my question to Mr Henderson and not bind him by his answer? When I asked him, ‘Doesn’t that imply that it was going to be raised?’ I assumed from Ms Belcher’s answer that the request on asylum seekers was made prior to the starting point of the convention period. Do you understand that, Mr Henderson? I do not hold you to any answer you gave because I was operating on a false assumption.

Mr Henderson—There is unanimous agreement here because I have been advised that my agreeing to your assumption was inaccurate, in any case.

ACTING CHAIR—I think the record is quite clear from what you have both said.

Senator FAULKNER—That is why it needed to be clarified.

Proceedings suspended from 10.44 a.m. to 11.02 a.m.

ACTING CHAIR—We will reconvene the meeting. I welcome Senator Ian Macdonald to the table. I think you had the floor, Senator Faulkner.

Senator FAULKNER—Thank you. Mr Potts, could you explain to me your role in relation to the meeting that Dr Hammer and Ms Sidhu had with Commander King at the Kurrajong?

Mr Potts—I will go back a step. I think it was Ms Sidhu who first informed me of her exchange with Social Policy Division, which would have been around 7 November. I am unable to recall clearly when she informed me of that. It was certainly in the new year, and I think I was absent on duty from about Australia Day until 8 February. I think it was either side of that, but my suspicion is it was closer to Senate estimates. I was conscious that Senate estimates were coming up, and there was also already background static about the possibility of a committee of inquiry. I became aware, from either Ms Sidhu or Dr Hammer himself, that Commander King had had dealings not just with Ms Sidhu but also with Dr Hammer. At that stage, I think it was in the lead-up to Senate estimates, I was concerned to try and get a sense from Dr Hammer of his involvement in hearing from Commander King the so-called tearoom gossip, and I became concerned simply at the vagueness of his recollection—not so much about the specifics because I did not want to press him on that but more about when those exchanges actually occurred—and I encouraged him to try and get a better sense of when it was. I recall saying to him, ‘Was it early November, mid-November or late November?’ I said, ‘Look, go and think about it a bit. Sit down with your colleagues if necessary and see if

you can get a better fix.’ That became the background, I think, for his then getting together with both Ms Sidhu and Commander King in the way that is now on the record.

Senator FAULKNER—So that was entirely your own initiative?

Mr Potts—Certainly.

Senator FAULKNER—You did not discuss that course of action with anyone?

Mr Potts—No.

Senator FAULKNER—I am surprised to hear what you say. I thought you first heard about all this back a little earlier in 2001, when Commander King first told Ms Sidhu and Dr Hammer about his—that is, Commander King’s—conversation with Commander Chatterton. Isn’t that when it first came to your attention?

Mr Potts—I cannot be specific. As I said, it seems to me that it was immediately either side of my absence from about Australia Day to 8 February. That is as best a fix as I can give.

Senator FAULKNER—Are you saying to the committee that no-one told you about this in 2001?

Mr Potts—That is my recollection, yes.

Senator FAULKNER—When did you become aware that Dr Hammer, first of all, had tried to arrange the abortive meeting in his home on the weekend and then the subsequent discussions with Ms Sidhu and Commander King at the Kurrajong Hotel? Were you aware of that before those discussions took place?

Mr Potts—No, I was never aware until the evidence was brought before the committee that there had been an aborted meeting. That was, I think, on a Sunday afternoon. I only became aware of the meeting that took place at the Kurrajong after it had happened. In fact, at that stage, to my recollection, I had not heard that it had taken place at the Kurrajong. Brendan Hammer certainly reported to me that he had had a discussion with his two colleagues and he had a rather better sense of the chronology involved.

Senator FAULKNER—So you were made aware of it before the matter became public knowledge at the Senate select committee.

Mr Potts—I was made aware of the fact that he had refreshed his memory with his two colleagues.

Senator FAULKNER—By him.

Mr Potts—By him. He told me, certainly.

Senator FAULKNER—What was that—just a face-to-face conversation?

Mr Potts—Yes, face to face he reported it to me. I felt gratified because I was worried, partly for him, that he needed to have a better sense of when the exchanges had taken place. I did not press him any further because I think, at that stage, it was pretty clear that there would be a select committee and obviously he might be an individual witness before it.

Senator FAULKNER—By that stage, surely the select committee was well and truly under way, wasn’t it?

Mr Potts—That might be the case; yes, almost certainly.

Senator FAULKNER—I would have thought it would have been well into its work. I am sorry. I am in the wrong time frame. We are talking of different times, I understand. Yes, it was not well into its work; in fact, it had not been established.

Mr Potts—No. There was a consciousness around, I think, that there could be a select committee. There was a presumption that there might also be the need for a departmental submission. In any case, we were also in either the lead-up to or the immediate aftermath of Senate estimates. So there were a whole number of currents awash at that stage.

Senator FAULKNER—I am just trying to think of the time frame. Your first discussion with Dr Hammer obviously preceded the attempt to call the abortive meeting at his home and before the meeting that took place at the Kurrajong. You have given us an approximate time frame on that, and my questioning went to your discussions with him after that. Are you able to say to the committee when they took place?

Mr Potts—No.

Senator FAULKNER—Effectively, he came back to you, didn't he, on Dr Hammer's initiative?

Mr Potts—I did not follow it up.

Senator FAULKNER—You did not follow it up; that is right. So Dr Hammer took the initiative and said to you what occurred and you were gratified by him saying that to you.

Mr Potts—Yes. My recollection is that he approached me and he said, 'Look, I just wanted to let you know I've had that conversation. I've got a better sense of where things were at.'

Senator FAULKNER—And can you nail down for us when that took place—or, if you cannot nail down precisely when that conversation took place, can you give us an indication of when that was likely to have been?

Mr Potts—I cannot help you much there. I certainly got the sense from Dr Hammer that he was not letting me know in the immediate aftermath of the meeting, so it could have been at least two or three days earlier, but I cannot be any more precise than that.

Senator FAULKNER—After you had heard that information, did you communicate that to anyone?

Mr Potts—No, I did not.

Senator FAULKNER—So you just took it on board?

Mr Potts—Yes.

Senator FAULKNER—This need—and I think these were the words used by another witness when describing your role—to develop a consistency of testimony, do you think is a fair description of your involvement, your role, your imperative?

Mr Potts—No, I do not. All I said to Dr Hammer was that I thought it was in his interests that he had a better sense of the time frame of Ms Sidhu's and Commander King's meeting with him in his office, which I think we now know was in November.

Senator FAULKNER—But why did you say this to him? You must have known about the meeting in the office. How did you know about the meeting in the office?

Mr Potts—Because Ms Sidhu had told me earlier.

Senator FAULKNER—Yes, that is right. When did Ms Sidhu tell you?

Mr Potts—I cannot be any more specific than some time either before my departure on overseas travel, which was 25 or 26 January, or after my return on 8 February, I think it was. It was some time either side of that.

Senator FAULKNER—That was the first knowledge you had of this?

Mr Potts—To my recollection, yes.

Senator FAULKNER—Did you suggest a course of action to Ms Sidhu or did you just decide to raise it with her superior? Why did you decide to go to Dr Hammer and say—

Mr Potts—I went to Dr Hammer partly because Social Policy Division, which was in the throes of I think organising material for a possible submission to an eventual or a possible select committee, wanted some indication of the time frame for that first meeting between the three of them.

Senator FAULKNER—Sorry; what did Social Policy want to do?

Mr Potts—They were assembling materials which could have formed the basis for a departmental submission to the Senate select committee, assuming that there had been one. They were conscious of the likelihood that one would be constituted.

Senator FAULKNER—But wasn't there a cabinet decision that there would be no departmental submission to such a select committee?

Mr Potts—There was, but that was subsequent to that.

Senator FAULKNER—So the department wrongly second-guessed the cabinet on this matter.

Mr Potts—I think the department was simply doing normal preparatory work.

Senator FAULKNER—Who was doing that in the department?

Mr Potts—Social Policy Division had the lead on that.

Senator FAULKNER—Do you have any responsibility with the Social Policy Division?

Mr Potts—No, it is a separate division.

Senator FAULKNER—So, again, why did you get involved?

Mr Potts—Because I was being asked by Social Policy whether I could get from Dr Hammer some sense of the timing of that first meeting.

Senator FAULKNER—Who asked you then from Social Policy?

Mr Potts—That was Ms Bryant.

Senator FAULKNER—Do you know when she asked you this?

Mr Potts—I cannot be very specific, no.

Senator FAULKNER—Have you any idea?

Mr Potts—It was around the time of Senate estimates.

Senator FAULKNER—Well after the first contact from Ms Sidhu?

Mr Potts—Yes. I do not know if it was well after, but certainly afterwards.

Senator FAULKNER—When Ms Sidhu has this contact with you, you do not think that it is best dealing with Ms Sidhu, you decide you will deal with Dr Hammer. Why does Ms Sidhu come to you? She is in a different division, isn't she?

Mr Potts—No. She was an officer in my division.

Senator FAULKNER—She is Dr Hammer's junior and you are Dr Hammer's superior; is that the correct hierarchical line?

Mr Potts—Yes.

Senator FAULKNER—Has Ms Bryant got a coordinating role with the submission that never happened?

Mr Potts—I cannot testify as to her role with the—

Senator FAULKNER—But she is the one who raises it with you?

Mr Potts—Certainly.

Senator FAULKNER—Why don't you talk to Ms Sidhu about this question of likely evidence? Why do you talk to Dr Hammer about it, given that Ms Sidhu raises it with you?

Mr Potts—No, Ms Sidhu informed me of the approach. She did not raise it with me as such; she wanted me to be aware, I think.

Senator FAULKNER—Was there a paper trail of any of this in PM&C? Did you keep any notes of any of this?

Mr Potts—No, we did not.

Senator FAULKNER—These are just casual conversations, are they?

Mr Potts—Yes.

Senator FAULKNER—Who else did you have contact with? We now know about Ms Bryant, Ms Sidhu and Dr Hammer.

Mr Potts—That was it.

Senator FAULKNER—Nobody else?

Mr Potts—I do not think so.

Senator FAULKNER—You did not raise it with any of your superiors?

Mr Potts—No.

Senator FAULKNER—You took the full responsibility yourself?

Mr Potts—I was conscious at that stage that events had a dynamic all of their own: either they had come up in estimates already or they were about to. It was likely that they would be coming up in a select committee as well.

Senator FAULKNER—When did you become aware of Commander King's role in this?

Mr Potts—I am not entirely sure. When Ms Sidhu approached me, she informed me essentially of her contact in early November with Catherine Wildermuth of Social Policy Division. My recollection is that she did not specifically mention Commander King; she recounted the conversation in terms of her saying to Catherine Wildermuth, while she was doing the systems check when they were looking for some documents, 'Aren't you aware of gossip within Defence?' or words of that effect. I do not think that she identified Commander King at that stage. I am almost certain that she did not.

Senator FAULKNER—Commander King is described as working as a secondee. I think Mr Henderson thought that might be the best description to use. You have not come up with a better one, have you, Mr Henderson? Is secondee still the best we can use?

Mr Henderson—I am sticking with that one.

Senator FAULKNER—Is he a secondee to your division, Mr Potts?

Mr Potts—Yes.

Senator FAULKNER—So you would have had a bit to do with him over that time?

Mr Potts—Correct. When he left, I think he had been in the division for some six months. He served out the unexpired term of another naval officer who took early retirement so his rotation was shorter than the average. Normally, ADF officers are posted to this position for about two years.

Senator FAULKNER—Was he still there when this was drawn to your attention or had he gone by then?

Mr Henderson—Commander King was seconded to International Division from 12 July 2001 to 21 January 2002.

Senator FAULKNER—I was aware of that. I think we heard that from the commander himself in his opening statement, but I stand be corrected. Thank you anyway, Mr Henderson. I just wondered if he was there—

Mr Potts—I do not think Commander King was in the division when I became aware of his having a role in this.

Senator FAULKNER—Were you comfortable when you found out that Dr Hammer had first of all tried to organise a meeting in his home on the Sunday with Ms Sidhu and the former appointee to the department, Commander King, and had in fact organised such a discussion at the Kurrajong soon after? Were you happy with that?

Mr Potts—I could not be comfortable with the detail in your question because I was not aware of the detail in your question at the time. What I was comfortable with was the fact that Dr Hammer had spoken to his two colleagues and that he told me he had a better sense of the timing.

Senator FAULKNER—But when you had your contact with Dr Hammer had you intended that he involve Commander King in this way?

Mr Potts—I said he should talk to his colleagues, and it was clear that the two colleagues were Ms Sidhu and Commander King.

Senator FAULKNER—So that is what you had in mind—the colleagues that you were thinking of were Ms Sidhu and Commander King?

Mr Potts—Yes. The point of interest was obviously the meeting between the three of them on the day that, as we now know, Commander King brought back some information from ADF headquarters.

Senator FAULKNER—Yes. So that was your expectation—that there would be a discussion of some description, that there would be efforts made to ensure that there was a consistency of view?

Mr Potts—No. I wanted him to be clear in his own mind about the possible timing, and I suggested to him that he talk to the two colleagues. I left it to him as to how he did that. I did not say, ‘I will leave it to you how to do that,’ I just said, ‘You should talk to the two of them and get a better fix in your own mind of when this meeting took place.’

Senator FAULKNER—What do you mean by ‘fix’?

Mr Potts—A better understanding, a better identification of the time. Social Policy Division was interested in information from our division on when this meeting took place. It was in that context that I was trying to assist them.

Senator FAULKNER—Beyond having an indication from Dr Hammer that this had occurred, you did not try to satisfy yourself as to what that particular fix was?

Mr Potts—No.

Senator FAULKNER—Wouldn't having that understanding have helped you at any inquiries—be it estimates or the select committee itself?

Mr Potts—I think that by then—and this may also help identify the time of my exchange with Dr Hammer—it had become evident that there would not be a departmental submission to the select committee. So that point was moot in a sense. It was in the context of a possible submission that Social Policy Division had been pressing for—

Senator FAULKNER—That is one element of it but there was also possible evidence, or testimony, to be presented to either a Senate estimates committee or, as you said, a prospective Senate select committee. That is the other element of it.

Mr Potts—I think that at that stage the estimates had already happened.

Senator FAULKNER—As you know, there is more than one round of estimates. It is an agony for all of us.

Mr Potts—Indeed, Senator.

Senator FAULKNER—Usually we have four rounds every year. The Senate select committee anyway had its own interest in this.

Mr Potts—I think that at that stage my mindset was that things would have to fall where they fell, that there was no point in my adding an extra layer to matters.

Senator FAULKNER—What do you mean they 'would have to fall where they fell'?

Mr Potts—That people would be called to give evidence and that evidence would be tested by a select committee.

Senator FAULKNER—You did not have any further discussions with Dr Hammer about how he might approach that?

Mr Potts—None at all.

Senator FAULKNER—Nor with Ms Sidhu? Did you ever go back to Ms Sidhu to complete the loop?

Mr Potts—No.

Senator FAULKNER—Nobody at all?

Mr Potts—That is correct. That is my distinct recollection.

Senator FAULKNER—Have you had any discussions since that time with any of your colleagues about the 'children overboard' issue?

Mr Potts—Yes, I have had several.

Senator FAULKNER—Could you outline them for the benefit of the committee, please?

Mr Potts—With Dr Hammer, I attended the main part but not the entire part of the meeting between Ms Belcher and Dr Hammer on the day that the knowledge of the ADF minute came to the attention of PM&C.

Senator FAULKNER—Do you remember what that date was?

Mr Potts—It was 30 April.

Senator FAULKNER—Could you just briefly outline your perspective of that discussion?

Mr Potts—Yes, I can. Dr Hammer had, of course, just left the department, and so he accepted Ms Belcher's invitation—I returned, I think, fairly late in the lunch period. I was involved in another meeting, I think, up here, so I was a bit late. I came into the meeting and saw Dr Hammer clearly upset by the allegation—by the tone of the ADF minute—and he was worried that his role had been misrepresented. I recall Ms Belcher discussing how it might best be handled and suggesting that he might want to consider writing directly to Commander King, conveying clearly—if that were in fact that case, and he readily agreed that it was—that he had meant to bear no pressure in terms of what he should or should not say to any inquiry. He accepted that. There was some discussion about the nature of privileges and contempt of the Senate, so that Dr Hammer was informed of the context in which the discussion was taking place.

Senator FAULKNER—And you supported that course of action?

Mr Potts—I thought it was a sensible thing to do.

Senator FAULKNER—Was there any other outcome from that discussion?

Mr Potts—I do not recollect so. He agreed, I recall, to consider writing a letter, and subsequently—as we know—he did.

Senator FAULKNER—Were there any notes taken of that meeting?

Mr Potts—Not by me.

Senator FAULKNER—Are you aware of any record of that meeting, Ms Belcher?

Ms Belcher—No.

Senator FAULKNER—It was just another informal one. But this had some more formal status, didn't it, Ms Belcher?

Ms Belcher—There was no record kept of the meeting, but I did—as you would be aware—put a note to the Prime Minister on the action being taken in the department. In that note to the Prime Minister I described the crux of the meeting with Dr Hammer.

Senator FAULKNER—It was only yourself, Mr Potts and Dr Hammer who were present?

Ms Belcher—It described that meeting, yes.

Senator FAULKNER—But there were only the three of you present?

Ms Belcher—Yes.

Senator FAULKNER—What other involvements have you had in this 'children overboard' issue, Mr Potts?

Mr Potts—I have had no involvement with Commander King since he left the Department of the Prime Minister and Cabinet. With Ms Sidhu, I have had several exchanges. Let me try to sort them out in my mind. I recollect that she approached me when she received the letter of invitation from the select committee. She simply brought that to my attention. I said words

to the effect, ‘You’re a good officer; just give your evidence straight and see how things go. I’ve got every confidence in you.’ It was just the normal morale sustaining approach. I would like to put on record that that is my opinion: she is a good officer in any case. I had another exchange with her in connection with the note from the secretary to her requesting an account of her actions. When she had completed that response to the secretary and had submitted it, she then brought it to me for information. I thanked her for that. I had a third exchange with her when she had finished her testimony. Essentially, I congratulated her on that. While I have had many other day-to-day dealings with Ms Sidhu, they are the only exchanges I have had with her on the certain maritime incident matter.

Senator FAULKNER—Mr Chairman, there are some issues that I am keen to follow through, but I will have an opportunity to do that in another forum and I will obviously be taking up those opportunities at that stage. There are also some issues that I have not touched on, because the Privileges Committee, as you would be aware, is also dealing with those particular matters. I will ask one other question so we can move on. I do not want to get bogged down in this, given Mr Potts has been invited to attend a future hearing of the select committee. I do have the opportunity to follow some of these matters up there, and I will take up that opportunity enthusiastically, I can assure you. I assume you have not had any contact with any of the Prime Minister’s staff on matters related to either the select committee or the incidents into which the select committee is examining.

Mr Potts—No. I think that is a fair statement.

Senator FAULKNER—I think you would be clear if you had. I just wanted to check whether that was the case. Can you definitively rule that out? I am now talking about the period that is being examined by the select committee in its entirety, not just the more recent events in relation to the suggestions of witness tampering and the like.

Mr Potts—I think that is right. I had very frequent dealings with Mr Jordana—his portfolio matches pretty well with mine—but I do not have responsibility for unauthorised boat arrivals. I would not have had any dealings with him on that matter.

Senator FAULKNER—That answer stands for the period from October 2001 through to the present time?

Mr Potts—Yes, it does.

Senator FAULKNER—Thank you. The other issues I will raise in the other forum.

ACTING CHAIR—Are there any further questions on this issue? Does anybody else have any further remarks under output 3?

Senator FAULKNER—I have a couple of issues. Do we have an updated itinerary that detailed Mr Howard’s New York trip a little earlier this year? I think it was in late January or early February. Is someone able to provide the committee with some detail about that particular trip?

Mr Potts—I am not able to provide it at the moment, but I can certainly provide it on notice. I just do not have the material with me.

Senator ROBERT RAY—I do not think we will do that. I think we will see you later on that one, because there are subsequent questions that Senator Faulkner has.

Mr Potts—I am at your disposal. I just do not have that information with me.

Senator ROBERT RAY—Do you think it would be possible for one of your people to have that material brought over? We may still be with you—and we may not be—when it arrives. That would be more convenient to you than coming back later, wouldn't it? Someone will be watching at the department, so we probably do not actually have to send anyone formally over there, so that would be good.

Senator FAULKNER—I gather a cheer went up when I sent my cheerio yesterday, so obviously someone watches.

Mr Henderson—You are talking about the Prime Minister's visit to New York and Indonesia from 29 January this year to 8 February. Is that right?

Senator FAULKNER—That is right.

Mr Henderson—And what do you want?

Senator FAULKNER—I want to ask a range of questions about that trip.

Mr Henderson—Going to?

Senator FAULKNER—A range of issues.

Mr Henderson—If you could be a little more specific then there may be some aspects that—

Senator FAULKNER—Mr Potts cannot answer but you can?

Mr Henderson—Can you tease out what aspects?

Senator FAULKNER—I will try and help you. I would like to talk about the itinerary, if that is all right—can you assist me with that?

Mr Henderson—No.

Senator FAULKNER—I would like to ask you about the travelling party—can you help me with that?

Mr Henderson—No. The numbers and the composition, no.

Senator FAULKNER—I would like to talk about the cost of the trip—could you help me with that?

Mr Henderson—Just one moment.

Senator FAULKNER—So far we have drawn a few blanks.

Senator ROBERT RAY—I think we should come back to it.

Senator FAULKNER—You are not going too well on this one so far.

Mr Henderson—I am in the spirit of trying to be helpful.

Senator FAULKNER—Of course, and I am trying to be helpful too, but it does not look like your brief matches my question. If you would like to table your brief, we will see if that cuts down the time.

Mr Henderson—No, I am not inclined to do that.

Senator FAULKNER—I am not surprised. Do we have the itinerary available for the trip Mr Howard undertook to attend the Queen Mother's funeral?

Mr Potts—International Division does not have it. We were not represented on the delegation. It was organised by CERHOS.

Senator FAULKNER—That is up in output 1.4, anyway.

Mr Potts—Yes.

Mr Henderson—I would have to take the details of that trip on notice. I advised the committee secretary that we were not able to have a CERHOS representative here today because of the immediate issue of the state funeral for the late Sir John Gorton on Friday. I was given an indication that there was an interest in the royal visit. I have some information on that.

Senator FAULKNER—I was intending to raise that under output 4. I must admit, I plead guilty on this. I was not aware that the Prime Minister's trip to the Queen Mother's funeral would be in output 4. I did not realise it would be a CERHOS responsibility; I assumed it would be an International Division responsibility. What you are saying is that that information will not be available and you are unlikely to get it because of the arrangements in relation to Sir John's service.

Mr Henderson—We have been warned that, if we are not finished by lunchtime, it will be quite late this afternoon when we come back. If we are not finished by lunchtime, it may be that I can get you some information about the details of his itinerary for the Queen Mother's funeral. If we finish by lunchtime, I will have to take it on notice.

Senator FAULKNER—If it is possible, again, could you address some similar issues: the itinerary, who accompanied the Prime Minister and costs. Those issues in the broad I would be interested in canvassing with you.

Senator ROBERT RAY—In addition to that, I would be interested to know what historical research went into one or two claims by the Prime Minister that it is the Prime Minister who goes to these rather than the Governor-General. I am not saying that he put it quite as definitively as that. Did the department or CERHOS do any research into precedent in regard to attendance?

Mr Henderson—Research into precedence?

Senator ROBERT RAY—Yes, into attending royal funerals, if you like.

Mr Henderson—Transport has changed a little in the last 50 years. I am not sure what sort of precedence you would be looking to.

Senator ROBERT RAY—I will go back to the source material. At the time the decision was announced that the Prime Minister was going and that the Governor-General would not, there was some reference and a quote from the Prime Minister about precedence which I could not understand. I did not think there was any precedence either. I will go back and get that quote, which may be an inaccurate quote of the Prime Minister, but I note that I never saw a correction. I am just saying that I would like to raise that when we go over it. The chances of being finished by lunchtime are zilch.

Senator FAULKNER—This may help, Mr Henderson. My recollection is—and it may be yours too—that there was a question on notice in the last round that went to the itinerary of the other trip. I was going to follow through on some of those issues. Your offsidiers, I am sure, will be able to draw that to your attention.

Mr Henderson—At the moment we want the itinerary, the costs and the membership of the Prime Minister's party in respect of New York and Indonesia in January-February and the Queen Mother's funeral.

Senator FAULKNER—In relation to the itinerary for the first trip, my recollection is that some information was provided in answer to a question on notice, I believe in the earlier round. I am looking at your offsidiers to see whether they can—

Senator Ian Macdonald—Do you have the answer, Senator? It would be helpful if you could just give it to us.

Senator FAULKNER—I do not actually have it with me. I was saying that I was going to follow up on a few issues out of it. It was answer to question on notice—

Senator Ian Macdonald—He was asked the question. You have given the answer, but he—

Senator ROBERT RAY—Now we are about to assist you, Senator Macdonald.

Senator Ian Macdonald—Good.

Senator FAULKNER—It is on page 141.

Senator Ian Macdonald—It would assist the committee, obviously, if you could.

Senator ROBERT RAY—Just tell him what page it is on.

Senator FAULKNER—Pages 140 and 141 and it goes on for a few pages. I was going to raise some questions which arise out of that. I was making the point to you, Mr Henderson, that some information has already been provided.

Mr Henderson—Right.

Senator FAULKNER—I did not want you to double up. I thank the secretary very much for assisting Senator Macdonald on this. While that question on notice has been answered, unfortunately, if the question on notice that I asked about the update of the total costs for CHOGM and the breakdown of costs for security at CHOGM has been answered, I have not received a copy.

Mr Henderson—It has not been answered. We are close to finalising all the accounts for CHOGM. We decided that there was little point in giving you an interim answer. Do you want me to provide those costs now?

Senator FAULKNER—If there is little point in giving me the answer, no, I do not. I would prefer—

Mr Henderson—No. As of now we are very close, so the decision was made not to give you answers two or three weeks ago, but—

Senator FAULKNER—Did anyone think to communicate that to the committee—perhaps a note to the effect that because not all accounts had been finalised it would be better just to hold off an answer to the question?

Mr Henderson—We should have done that. We did not.

Senator FAULKNER—If you had done that, I would have said that that seemed a very sensible way of dealing with things. I am also happy, given the information that you have now provided—I was going to ask you what the reason for the delay was but I understand now what the reason for the delay is, and it sounds reasonable—to only gently chide you and suggest that it is probably best in these circumstances to explain that to the secretariat and hence senators probably would not follow it through. But that is reasonable, Mr Henderson. I look forward to getting it at the earliest available opportunity. Thank you.

Mr Henderson—I was going to read the figures into the record.

Senator FAULKNER—I am sorry; I thought you said they had not been finalised.

Mr Henderson—They have not, but they are very close to final.

Senator FAULKNER—Why don't we just wait till we get the final figures? That will be fine.

Mr Henderson—All right.

Senator FAULKNER—My only point was that if someone had suggested that—

Mr Henderson—I accept that point. We should have shown you the courtesy of explaining why we were delaying.

Senator ROBERT RAY—Just on the issue of answering of questions, I suppose you will be pretty pleased to hear that the Senate is close to contemplating extending the time limit for answering questions on notice—not by way of estimates but by way of the chamber—from 30 days to 60 days?

Mr Henderson—Yes, we have discussed that previously. We were in agreement, and I am pleased to hear that.

Senator ROBERT RAY—It is not through yet but it is almost through.

Mr Henderson—Good.

Senator ROBERT RAY—But then there will be no excuses.

Mr Henderson—We will have to see how Defence measures up.

Senator ROBERT RAY—Chair, could I suggest that we resume on 1.3 when that other information is available and that we go on to 1.4 and then come back?

Mr Henderson—This is in relation to the itineraries?

Senator ROBERT RAY—Yes. They are the two remaining issues, I believe.

Senator FAULKNER—Except for Mr Henderson's sensible suggestion that we—

Senator ROBERT RAY—As I understand it, we are doing 1.4 through to about one o'clock.

Senator FAULKNER—At least one o'clock or later, depending on the Chair.

Senator ROBERT RAY—Then we do the Auditor-General and the Ombudsman. Then we go back to 1.4 and then we will come back to 1.3.

Mr Henderson—What is 1.3 and 1.4 referring to?

Senator ROBERT RAY—Sorry; they are the old terms.

CHAIR—Mr Henderson, they are output 3 and output 4 under the Department of the Prime Minister and Cabinet. We are still on output 3, International policy advice and coordination.

Senator ROBERT RAY—I should not have used the term '1'.

Senator FAULKNER—Mr Henderson, I think Senator Ray was saying that after the luncheon adjournment—and perhaps this may assist your officials, including those from the agencies—the plan is at two o'clock to move to ANAO. At the conclusion of ANAO—I think it will take at least an hour from what I have heard, and may take longer; that is the best

ballpark figure we can give at the moment—we are going to go to the Ombudsman. Then we are going to go back into the outputs. That is what we are all trying to say. We may not have said it as efficiently as we should have.

Mr Henderson—No, that is understood. We have finished with 1, 2 and 3 in the department.

CHAIR—Mr Henderson, I think we are still on 3, as I understand it.

Mr Henderson—We are still on International Division.

Senator ROBERT RAY—No. We are going to come back to 3 after we do 4. We are going to do only two items in 3.

Mr Henderson—They are the itineraries for two overseas trips.

Senator ROBERT RAY—Yes. One and one make two.

Senator FAULKNER—Unless someone is going to be involved in that, there is certainly no need for them to be here.

Mr Henderson—I will do my best to get the information in that regard. As I said, there are very few senior CERHOS people, if any, in this town.

Senator FAULKNER—Mr Henderson, I appreciate that. We do understand that. You can only make your best endeavours. If you are unable to assist, we will perhaps organise questions on notice or deal with it in the subsequent round. We do understand the point you make.

CHAIR—We are now moving to output 4, Support services for government operations.

Senator ROBERT RAY—Senator Carr has some questions and I think we are letting him know.

Senator FAULKNER—Mr Chair, could I kick off by asking—and this is possibly best directed to Ms Belcher—what is current guidance in relation to former ministers' access to records? This is regarding not only written documentation but also electronic records, such as emails. Could you outline very briefly, Ms Belcher, for the benefit of the committee, what current guidance is provided to former ministers once they leave office?

Ms Belcher—My colleagues will correct me if I am wrong in any of this. My understanding is that ministers are able to have access to records to which they had access as ministers. So if they saw particular documents when they were ministers, then they may seek to see them when they are no longer ministers.

Senator FAULKNER—Are there any constraints on this at all?

Ms Belcher—Not that I can think of. I think if it is clear that the minister would have seen that material then it would be provided.

Senator FAULKNER—Is there a rule that a former minister must have seen such material?

Ms Belcher—Yes. There must be some evidence that he or she had seen it or had access to it and it had been discussed with the minister. Generally, the expectation would be that it would have been seen.

Senator FAULKNER—Do you provide written guidance on this to former ministers?

Ms Belcher—Not that I know; I think it is more a matter of advising them if they seek access. I do not think it is automatic.

Senator FAULKNER—Is it best described as a convention; is that how you would put it?

Ms Belcher—Yes.

Senator FAULKNER—Where is this convention written down? Is it written down?

Ms Belcher—There are some prime ministerial guidelines under the Archives Act. I am told that the approach taken is that the minister would have been likely to have seen the document. It does not have to be proven.

Senator FAULKNER—Would it be possible to provide a copy of the guidance to the committee? I would appreciate it if you could. I imagine it is not a secret document. Is that guidance ordinarily provided to former ministers or does it sit there for the benefit, mainly, of officials dealing with former ministers as they might—

Ms Belcher—I do not believe it is sent automatically to former ministers. It is also referred to in the *Cabinet Handbook*.

Senator FAULKNER—I thought it was.

Ms Belcher—It says:

Additionally, special access to Cabinet and other official documents less than thirty years old may also be granted to other persons in accordance with the special access guidelines provided for in the abovementioned arrangements. Advice on such access should be sought in the first instance from the National Archives of Australia.

Senator FAULKNER—You have *Cabinet Handbook* guidance and then some separate guidance that is contained within the Department of the Prime Minister and Cabinet?

Ms Belcher—Yes.

Senator FAULKNER—There are two separate pieces of information. Obviously, we have the *Cabinet Handbook*, but if you could provide the other that would be helpful.

This raises the question about former ministers, who might seek access to such documentation ‘which they are likely to have seen’—that is the terminology that we all understand—who are, after ministerial life, working in a portfolio related area. They could, hypothetically, for example, be a consultant. You could, for example, have a former minister for defence working as a consultant in the defence area—just to think of one area.

CHAIR—Hypothetically, of course.

Senator FAULKNER—Yes. I could think of others but I will not go there at this stage. What rules apply in that instance?

Ms Belcher—I am not aware of any rules that apply. It would, of course, be open to the Prime Minister to consider a range of issues when deciding on access. I do not believe that there are any rules that address that issue.

Senator FAULKNER—Isn’t there a particular sensitivity here? If you have a former minister working in a private capacity or a consultancy capacity in an area which overlaps an area of former ministerial responsibility, and that minister is able to have access to any document that he or she was likely to have seen, isn’t there a particular sensitivity?

Ms Belcher—There could be sensitivities. I believe that PM&C would draw sensitivities to the Prime Minister’s attention.

Senator FAULKNER—Let us now move to the specific. Let us move to the example of former minister Reith. Given your division's responsibilities, Ms Belcher, has anyone drawn to your attention requests for access to documentation from Mr Reith, after he concluded his ministerial life?

Ms Belcher—I am not aware of any. No, we have not had any such requests drawn to our attention.

Senator FAULKNER—Has anyone drawn to your attention requests for Dr Wooldridge, in the health portfolio?

Ms Belcher—No.

Senator FAULKNER—Are you aware of the amount of time former ministers Reith and Wooldridge have had access to their ministerial email accounts after the period when they ceased to be ministers?

Ms Belcher—No.

Senator FAULKNER—Is it true that former ministers Reith and Wooldridge had access to their email accounts at least until the end of March 2002?

Ms Belcher—I am not aware of that.

Senator FAULKNER—Who could help me with this? Can you help me, Mr Henderson?

Mr Henderson—No, I cannot. I would have thought the—

Senator Ian Macdonald—It would be the relevant department, wouldn't it?

Mr Henderson—Yes, exactly.

Senator FAULKNER—I am seeking PM&C's guidance, as the lead agency, on these issues.

Mr Henderson—Guidance is one thing; whether we have detailed knowledge of other departments' email traffic is another thing.

Senator FAULKNER—What guidance would be provided by PM&C?

Senator Ian Macdonald—If it is any help, in my case my department looks after my emails so I would assume that would apply in Dr Wooldridge's and Mr Reith's case.

Senator FAULKNER—No, it is no help, but I appreciate your assistance.

Senator Ian Macdonald—I always try to help, but you never accept my help.

Ms Belcher—I think this is one I am going to have to take on notice. I cannot add any more. I was not aware of what you were saying. I think I need to take it on notice and find out a little more.

Senator FAULKNER—What sort of advice would be provided, if a department sought any—

Senator Ian Macdonald—That is hypothetical anyhow.

Senator FAULKNER—I am assuming that this is the sort of thing that Ms Belcher would deal with on a daily basis. It is her job.

Senator Ian Macdonald—I am sure that a lot of these things are her thing. 'If this might happen in the future, what might you do in the future?' is all hypothetical stuff. I am sure the chairman would not even allow the question.

Senator FAULKNER—There is a question about it happening in the future; it may well be a question of it happening in the very recent past. What is the guidance in relation to email accounts?

Senator Ian Macdonald—Have you given any advice in relation to email accounts in the past?

Ms Belcher—Not that I know of.

Senator FAULKNER—So there is no standing advice on this?

Ms Belcher—No. I think if there were relevant email traffic that fell into the same sort of category as submissions that might have been put to the minister, then access would be granted.

Senator FAULKNER—In all circumstances?

Ms Belcher—No, I am not saying necessarily in all circumstances. It is hypothetical but I think PM&C would be alert to sensitivities if matters were raised with them. Beyond that I cannot say what specific advice I would give.

Senator FAULKNER—The circumstances I am thinking of here are ministers seeking access to such material, in their former portfolio responsibilities, when in their new employment arrangements they are working as consultants for or to private organisations or companies in a similar area.

Ms Belcher—I hear what you are saying. It is just that I am not aware of the issues and I think it better that I determine—

Senator FAULKNER—So what you are saying to us is that there are no controls in place to stop former ministers abusing their privileges in this area?

CHAIR—I do not think Ms Belcher is saying that.

Senator FAULKNER—I think she is, unless I have got it wrong. I just want to be clear; I am sure she will correct me if I am wrong. Ms Belcher would not be backward in coming forward to do that; if there are controls, she will tell me. But I do not think there are any controls, and Mr Henderson will jump all over me if there are.

Senator Ian Macdonald—I thought she said that she did not know of any controls in PM&C.

Senator FAULKNER—That means there are no controls.

Ms Belcher—I will need to check what controls there are once material is in the control of archives.

Senator ROBERT RAY—One thing is quite clear though: when a former minister seeks access to files that they would have seen, that is for the purpose of refreshing their memory and they are not actually allowed to disclose what is in those files. That is a fair summary, isn't it?

Ms Belcher—Yes.

Senator ROBERT RAY—Minister, there is a slight difficulty if—and I stress 'if'—a minister refreshes their memory in an area in which they were working. I think that is the nub of the problem that we would like to see covered at some stage. Not generally, because a lot of the refreshing of the memory will be to defend themselves in certain circumstances—that is absolutely fair.

Ms Belcher—And some former ministers refresh their memories to assist in writing books and so forth, so it can be used for a range of purposes.

Senator ROBERT RAY—I would not encourage it in that regard.

Senator FAULKNER—Most of them are unreadable.

Senator Ian Macdonald—I don't think Richo did too much research on his though. It was all off the top of his head.

Senator ROBERT RAY—That is why it was a good read.

Senator Ian Macdonald—His quotes of you would have been accurate!

Senator FAULKNER—They seemed to be a lot more generous than what he said about me. So you can say to us, Ms Belcher, that Defence has not raised any issues of this nature with you in relation to access to documentation by former minister Reith.

Ms Belcher—That is right.

Senator FAULKNER—And you can say that the department of health has not raised any issues of this nature with you in relation to access to documentation by former minister Wooldridge?

Ms Belcher—That is right.

Senator ROBERT RAY—To be fair, just to round it out you can also say that the department of finance has not raised with you any issues referring to Mr Fahey?

Ms Belcher—That is correct.

Senator ROBERT RAY—It is a bit unfair to pick on the other two.

Senator Ian Macdonald—It is a useful contribution because Senator Faulkner always wants to be fair.

Ms Belcher—I think I will need to take that on notice. There may have been a phone call from the Department of Defence at one stage relating to Mr Reith. I think it would be much safer if I found out and got back to you.

Senator ROBERT RAY—We will come back after three o'clock on that one.

Senator FAULKNER—I think that caution is warranted, given the individual we are dealing with. Let me ask you a final question on this matter. This is the principle that I suspect has developed a great deal since the guidance that is contained in your PM&C documentation and the *Cabinet Handbook*, to be fair—the principle of electronic records as well as paper records. The principle applies to both, doesn't it?

Ms Belcher—Yes, I believe so. Electronic records would be covered by the Archives Act as well.

Senator FAULKNER—So email access would be covered similarly. Would that be right?

Ms Belcher—That is certainly my understanding.

Senator FAULKNER—We will hear back from you then.

Senator CARR—Mr Henderson, I read in the *Canberra Times* on 28 April this year an article by Mr Jack Waterford, in which he drew to our attention some changes to the guidelines for cabinet coordination. Is that the case?

Mr Henderson—It is the case that there have been some changes.

Senator CARR—I want to ask a series of questions that flow from that if possible.

Mr Henderson—Mr Hamburger can help us. He is the head of the cabinet secretariat.

Senator CARR—Mr Hamburger, have there been changes to the guidelines for agencies in regard to cabinet coordination?

Mr Hamburger—Not in regard to cabinet coordination, but there have been some changes in the way that submissions are handled by cabinet after they have been lodged.

Senator CARR—What is the nature of those changes?

Mr Hamburger—The change is that the Prime Minister, in determining the cabinet program each week, has regard to the nature of the submissions that are available. In the case of some submissions, he would refer them to a process of ministerial consideration whereby the submissions are left with ministers for a period of 10 days. If ministers did not raise concerns about the submission, a draft minute based on the submission would be prepared and submitted for consideration and endorsement to the next available meeting of cabinet. If concerns were raised during that 10-day period, efforts may be made to resolve them. If they were, possibly an amended minute would be submitted to cabinet. If the concerns were not resolved, the Prime Minister would consider handling the submission again.

Senator CARR—Have these guidelines been published in the *Cabinet Handbook*?

Mr Hamburger—Not yet, but we expect they will be soon.

Senator CARR—When is ‘soon’?

Mr Hamburger—We need to finalise the drafting and go through a clearance process, but I would be surprised if it took more than a couple more weeks.

Senator CARR—The clearance process? Who does that?

Mr Hamburger—The Prime Minister issues the *Cabinet Handbook*.

Senator CARR—So the Prime Minister has to sign off on these changes?

Mr Hamburger—Yes.

Senator CARR—When was the decision made to institute these changes?

Mr Hamburger—At the end of February.

Senator CARR—So four months between the time the decision has been taken to the time these are actually put in the *Cabinet Handbook*? It seems to me to be a fairly long period of time.

Mr Hamburger—It is, but they were advised to departments immediately by circular.

Senator CARR—When were they advised to departments?

Mr Hamburger—It was early April. It was 5 April.

Senator CARR—Will these guidelines be posted on the departmental web site?

Mr Hamburger—The *Cabinet Handbook* is on the web site.

Senator CARR—So that is what we are talking about, is it? Let me go through these other matters that do seem to flow through from Mr Waterford’s article. Is it the case that cabinet submissions contain a range of standard impact statements at the moment?

Mr Hamburger—Yes, it is.

Senator CARR—Are those statements going to be retained under these new guidelines?

Mr Hamburger—Yes. There is no change to that.

Senator CARR—Are there any that are being added? Are there any new ones that have emerged as a result of these changes?

Mr Hamburger—No, the changes have no effect on the preparation of submissions.

Senator CARR—Is it the case that in the past departments would know what has been written in the impact statements?

Mr Hamburger—The departments that provide coordinating comments for a submission receive the draft submission with that in—so, yes, they would know.

Senator CARR—In the past, would all the departments know where the cabinet submissions are circulated?

Mr Hamburger—No.

Senator CARR—In the past there have only been those that were directly interested?

Mr Hamburger—That is correct, yes.

Senator CARR—So this practice will not change?

Mr Hamburger—No, there will be no change to that practice.

Senator CARR—Will the submissions still continue to identify issues on which ministers do not agree?

Mr Hamburger—To the extent it is relevant, there is no change at all in the rules for preparing submissions. The department or minister preparing the submission may not always know the position of other ministers but, to the extent that it is known and relevant, one would expect that to be covered in the submission.

Senator CARR—Are these new arrangements likely to add or alter in any way the committees of cabinet?

Mr Hamburger—No, they do not affect the committees.

Senator CARR—What about the work of the committees?

Mr Hamburger—No. They only apply to submissions going to the full cabinet.

Senator CARR—So the committees of cabinet do not consider material before they go to full cabinet?

Mr Hamburger—They do on occasion but the new processes are about a form of consideration without a listing for full discussion and that has not been applied to committees. So where a submission goes to a committee the situation remains unchanged.

Senator CARR—These new proposals do not apply to submissions that go to full cabinet as a matter of course?

Mr Hamburger—They involve a decision by the Prime Minister as to whether a submission goes to cabinet for full discussion or whether it goes through a different stream whereby ministers have an opportunity to raise concerns.

Senator CARR—So that I can be clear about this, are you now saying that these new guidelines for the presentation of cabinet material do or do not apply to material going to the full cabinet?

Mr Hamburger—They do apply only to material going to the full cabinet.

Senator CARR—So, for material not going to the full cabinet—

Mr Hamburger—The previous rules continue to apply.

Senator CARR—Are those submissions circulated to other ministers?

Mr Hamburger—Submissions are circulated to ministers, yes, and to the departments that have made coordination comments.

Senator CARR—I see, but they are not, as a matter of course, sent to departments.

Mr Hamburger—No, not to all departments.

Senator CARR—How does a department know whether or not it has an interest in a matter?

Mr Hamburger—In our process of circulating submissions we look at each submission and consider whether or not coordination comment has been sought from appropriate departments. If necessary we would suggest that it be—

Senator CARR—So PMC makes the decision whether or not the departments are interested?

Mr Hamburger—We effectively vet the decision they make. The originating department is expected to consult with all departments with an interest and one of the things we check is whether they have.

Senator CARR—I might come back to the point. If there are matters before cabinet that may be of interest to another portfolio, can you be absolutely certain that all departments with an interest in that matter have been consulted?

Mr Hamburger—I think we can be reasonably certain. The submissions are circulated to all ministers and one would expect that, if a minister felt that his or her department should have been consulted and had not, they would raise that. On occasion they do. We have occasions where there is a bit of dispute.

Senator CARR—If the minister chooses not to tell the department they will not know, will they?

Mr Hamburger—That is true.

Senator CARR—If the minister has not read his correspondence properly, or if it has been stored up in his office for a while, it won't necessarily follow that the department will know that there is a matter before the cabinet that is of interest to them. Is that the case?

Mr Hamburger—That is also true, yes.

Senator CARR—So it relies upon the efficiency of the minister?

Senator Ian Macdonald—And the cabinet office which made the initial decision about whether it goes—

Senator CARR—Sure.

Senator Ian Macdonald—It is the cabinet office and then the minister.

Senator CARR—Sure. My point is that the new process essentially relies upon the efficiency of the minister's office in dealing with correspondence.

Mr Hamburger—The processes always have relied on that. There is no change in that respect.

Senator CARR—But in the past was it not the case that the department would have known what was coming forward? Was there not a new streamlining of the consultative process so that you determine who sees what documents?

Mr Hamburger—No, that has not changed. It has always been the case. I should add—I could quickly check if it is pertinent—that I think departmental secretaries may get a copy of the cabinet business list.

Senator CARR—Can you confirm that for me? You say ‘may’.

Mr Hamburger—I will have to make a quick phone call.

Senator CARR—I will be interested to know if departmental secretaries, as a matter of course, know what is before cabinet.

Mr Hamburger—Ministers certainly do. I am not entirely sure whether secretaries do. But, as I say, there has been no change in that regard whatever the present situation is. It has been the same for some years.

Senator CARR—For all submissions, the departmental secretaries know what is being circulated?

Mr Hamburger—I am fairly sure that they know what is listed for a particular meeting, but I will need to double-check that.

Senator CARR—I thought you said before that you have sought to streamline the processes?

Mr Hamburger—The cabinet has agreed to streamline the discussion stage of the process. There are no changes up until the submission arrives at cabinet.

Senator CARR—If you are going to streamline the discussion, aren’t you also streamlining the way in which these matters are being considered?

Mr Hamburger—Not up until the point of actual cabinet consideration. What is happening there is an exceptions process where ministers agreeable to something not full-listed for full discussion can, after a period of time, consider a minute based on the recommendations. That is the streamlining.

Senator CARR—But it essentially relies upon a recommendation that your office prepares, based on information that you collect, determined by which agencies you think are interested.

Mr Hamburger—We perform a check on that. The initial decision is made by the minister or department preparing the submission. We will occasionally intervene and ask for more or wider consultation but usually, in our experience, the consultation—

Senator CARR—But my characterisation of it is not too far from the truth, is it?

Mr Hamburger—I would say that in practice we have very few disputes about this. We have occasional disputes—

Senator CARR—I am sure you would not have many disputes if people do not know there is a matter to be disputed.

Mr Hamburger—But the disputes will typically arrive after the event when the results come out.

Senator CARR—That is what I mean. Exactly!

Mr Hamburger—But also I would re-emphasise that there is no change in that.

Senator CARR—Let us go through this article. It is quite an interesting one insofar as it does suggest a weakening in the role of agencies and a tendency to make the cabinet more a rubber stamp than a genuine forum for debate.

Mr Hamburger—Yes, I read the article but the initial comments on the changes to the system certainly do not accurately describe the changes.

Senator CARR—Why are they inaccurate?

Mr Hamburger—I think in just about every respect. It says that the changes will mostly affect the cabinet coordination process—in fact, they do not affect the coordination process at all; it says they are yet to find their way into the *Cabinet Handbook*—that is true, although they have been advised to departments by circular; it says that traditionally a minister has his or her agency prepare a cabinet submission—that is true but has not changed.

Senator CARR—I do not think it says it has changed, does it?

Mr Hamburger—No, it does not. It refers to the consultation process. It says that after circulation other agencies will themselves prepare notes on the submission if only to arm their minister for debate—that is true and has not changed.

Senator CARR—How will they know to arm their minister if they have not seen the material?

Mr Hamburger—The other agencies referred to there are the ones which would have made a coordination comment.

Senator CARR—However, if there is a rule you have material not going to people unless you determine they are interested, how will the department be able to arm their ministers for debate in the cabinet?

Mr Hamburger—As a rule, as the *Cabinet Handbook* requires, it goes to all agencies with an interest. We check that that is the case and I believe we usually get it right. I have just been advised that belated business lists do not go to secretaries, they go to ministers.

Senator CARR—So the department will not necessarily know unless the minister chooses to tell them?

Mr Hamburger—Yes, that is true and has always been true. It is not a change.

Mr Henderson—Senator, the first quote that you read out I think suggested that the cabinet was a rubber stamp, or something to that effect.

Senator CARR—Yes, that is what it says here.

Mr Henderson—I would have thought that, on the contrary, one of the essentials of the new arrangements is to identify those submissions that are either very significant or controversial in the sense that there is disagreement amongst certain agencies and ministers. They are the submissions that will be the subject of deliberations within cabinet. It has always been the case—and I am not just referring to the Howard government now—that there are issues that are sufficiently important to warrant the preparation of a submission, but, having

arrived in cabinet, there is no dispute and very little or nil discussion. The reality of this new system is that submissions of that sort are no longer being listed for deliberation in cabinet.

Senator CARR—So there is no paper decision required?

Mr Hamburger—No, that is not correct. They are not listed for detailed discussion, but, if no concerns have been raised during a 10-day period when they are available to ministers, a draft minute is put to the next available cabinet meeting, at which any minister may then raise a point. If they do not, then presumably the cabinet will endorse that minute and it then becomes a decision.

Senator CARR—So it becomes a rubber stamp.

Mr Hamburger—Only if no minister chooses to say anything.

Senator CARR—That is what I say: it depends upon the efficiency of the minister's office.

Mr Hamburger—Also, in that case the minute goes to a cabinet meeting and is up for endorsement. The failsafe is that ministers in the end endorse each minute at a meeting.

Senator CARR—Have you had any comments from ministers about the new process?

Mr Hamburger—The only comments I have heard have been favourable.

Senator CARR—From the ones who have read it.

Mr Hamburger—It has been from ministers at meetings. At each meeting a number of minutes are put up for endorsement.

Mr Henderson—The new process was considered and decided on by cabinet itself.

Senator CARR—What are the resourcing implications for this change? Firstly, are there any resourcing implications for your department?

Mr Hamburger—Certainly for the department we are not expecting them to be large. We are still working it through but there have been no changes to resources yet. In terms of the cabinet processes themselves there is virtually no change to the amount of paper we handle. In terms of the department's briefing of the Prime Minister, it is now tending to be focused more on the submissions that are up for full discussion. So there are pluses and minuses in terms of the workload, but it will not be large whatever the net effect is.

Senator CARR—What are the resourcing implications for ministers' offices, given that there will be increased workloads for them?

Mr Hamburger—I am not sure that there is a large increase in workload or, in fact, any increase in workload for them.

Senator CARR—So you anticipate that there will be no extra staff required to deal with this matter.

Mr Hamburger—There may be extra staff required in the cabinet policy unit, but I do not believe—

Senator CARR—Is that in your department?

Mr Hamburger—No. That is a small unit of MOP staff appointed to the Prime Minister, his secretary to cabinet and his support staff.

Senator CARR—In regard to the ministers' offices themselves or the departments, there will be no additional resource requirements?

Mr Hamburger—We are not expecting any.

Senator CARR—Will this lead to an increasing role for ministerial staff?

Mr Hamburger—I do not see any reason in principle why it would.

Senator CARR—Who prepares the submissions?

Mr Hamburger—Submissions are lodged in the minister's name. Very frequently, as you would know, they are prepared in departments, but ministerial staff have always had some sort of a role with that and presumably will continue to.

Senator CARR—What about the preparation of coordination advice?

Mr Hamburger—Coordination comments are from departments, and that is continuing.

Senator CARR—So you would not expect the ministerial officers to have an increasing role at all?

Mr Hamburger—I would not think their role would change.

Senator CARR—This article goes on to say:

... the trend, accelerating over recent decades, of a much bigger role by ministerial staff. Increasingly, they have been managing the co-ord process themselves, departments not being closely involved in the process either in discussions between different ministers (or their offices) or having much opportunity to comment on the importunities of lobbyists, political urgers and the friends and relations of the minister.

Even honest and talented staffers (and there are such people) are increasingly resolving high matters of state by chats with their opposite numbers in other ministerial offices, often with very poor documentation of the deals made.

Is that true?

Mr Henderson—I think you will discover that when the new rules which Mr Hamburger has been explaining to you are written up and on our web site in the revised *Cabinet Handbook*, those observations you just quoted then will bear no relationship to the changes that we have been discussing in regard to cabinet arrangements. Whether those observations are reasonable or unreasonable, I am just suggesting to you that they have nothing to do with the revised cabinet arrangements.

Senator CARR—Fair enough, Mr Henderson. You say that these may happen independently of these cabinet changes. It goes on to comment here that:

A further freezing-out of independent advice, and formal and documented co-ord processes, means that able ministers will often be less well equipped to debate proposals out of their own bailiwick, that the power of the Prime Minister and his office (and to a lesser extent, the Minister for Finance who has a finger in most pies) will further increase, and that more and more decisions will be made in informal kitchen Cabinets, or between cliques of minders.

Mr Hamburger—The first sentence of that is incorrect, though, on which everything else hangs. The processes do not freeze out independent advice and they do not change the coordination comment arrangements.

Senator CARR—It says here also, though, that this is actually driven by the need to stop leaking within the Public Service. Is that the case?

Mr Hamburger—I have never heard that suggested in relation to the changes.

Senator CARR—This is an idea that is new to you, is it?

Mr Hamburger—I have read the article. It was new to me when I read the article.

Senator CARR—So that was the first time you had heard of that.

Mr Hamburger—That was the first time I had heard it suggested as a motive for the cabinet changes, and I do not see how the changes would have that effect.

Senator CARR—There was a major cabinet leak in 1999 of an education cabinet submission. Do you recall that?

Mr Hamburger—Yes.

Senator CARR—Did you ever find who was responsible for that?

Mr Henderson—No. We went through that yesterday. No, we have not. Nobody has been prosecuted in regard to that leak.

Senator CARR—Did you think that that event had any bearing on the production of these new guidelines?

Mr Henderson—Absolutely none whatsoever.

Senator CARR—Will these new guidelines prevent that sort of leak occurring?

Mr Henderson—The guidelines would have no bearing on that. There have been at times suggestions that the CabNet, the electronic transfer of cabinet documents, may be relevant in terms of the security of the documents. That was essentially a technological change, taking advantage of the simplicity of electronic transfer rather than conveying documents around the town in motor vehicles. But, despite the introduction of CabNet, there are still instances of leakages.

Senator CARR—Documents going astray?

Mr Henderson—Yes.

Senator CARR—It is possible that documents can go astray out of ministerial offices, isn't it?

Mr Henderson—It is possible. Are you referring to particular instances?

Senator CARR—I am just making the observation. That is why this has—

Mr Henderson—I cannot dispute that. It is a possibility, yes.

Senator CARR—You have not identified who leaked the education submission?

Mr Henderson—No.

Senator CARR—Have there been any measures developed in parallel with these cabinet submission guidelines that go to the issue of record keeping within ministerial offices?

Mr Hamburger—No, nothing in parallel with it and no recent changes in record keeping that I am aware of.

Senator CARR—So the ministerial staffers are not bound in the same way that public servants are bound in terms of accountability with record keeping?

Mr Hamburger—I can really speak only in terms of cabinet records, and we issue quite detailed instructions about the security of them, which I would expect are binding on ministerial staff. Certainly the ministerial officers are advised on the need for security.

Senator CARR—You have advised them, but have you actually done anything about it other than advise them?

Mr Hamburger—We periodically refresh the advice and we train staff in the use of CabNet when they arrive, if they are using CabNet. As part of that, there is always an emphasis on security.

Senator CARR—Yes, but there might be the question here not of security but of accountability. My question went to the issue of accountability. Do ministerial offices operate under the same accountability requirements in the production and processing of cabinet documents as do public servants?

Mr Henderson—The short answer is no, they do not. It was an issue that Senator Murray was pursuing yesterday in regard to accountability in general in respect of ministerial advisers.

Senator CARR—I appreciate Senator Murray's interest in this. I share that interest. I am concerned, though, that you are developing new guidelines which to me appear to give increased power to ministerial offices and ministerial staff.

Mr Henderson—Speaking for myself—and, I think, Mr Hamburger—we do not see these in any way changing the powers of ministerial advisers. I think that is the conclusion people will reach when all these details are provided in the publicly available *Cabinet Handbook* when it is revised.

Senator CARR—Thank you, Mr Henderson. Can you tell me this: has there been a proposal to develop a set of values or a code of conduct in terms of a legislative base to accompany these guidelines?

Mr Henderson—For who?

Senator CARR—For ministerial staff.

Mr Henderson—Not by this department, no.

Senator Ian Macdonald—A legislative base?

Senator CARR—Is there any proposal to provide any proper accountability procedures for these?

Mr Henderson—I am not aware of any such proposals.

Senator Ian Macdonald—That is something that you can bring in, if you ever get to be in government.

Senator CARR—How are these procedures going to affect the capacity of ministerial offices and departments to call upon expert advice, particularly when there are areas of concern to them from another portfolio?

Mr Hamburger—They should not be changed in any way that I can see. The separation and distribution of the submissions is exactly as it was. The change is at the point at which cabinet considers them. If there is any effect of this change, it will give rather more time for preparation for that sort of thing for some of the submissions, but I would think there would be no effect.

Senator CARR—Fair enough. Thank you very much. I have a couple of questions for Ms Belcher. Yesterday I was at the Legal and Constitutional Legislation Committee estimates hearing and I was advised that you were a participant in an interview with Mr Colin Thatcher, who became the secretary of the royal commission into the building industry.

Ms Belcher—Yes.

Senator CARR—Do you recall that interview?

Ms Belcher—Yes, I do. The Department of Finance and Administration had asked me to be involved in discussions with potential secretaries for both the royal commissions: the one on HIH and the one on the building and construction industry. That was partly because the Prime Minister administers the Royal Commissions Act and partly because I had been a secretary to a royal commission, and the Department of Finance and Administration thought it would be useful if I described to the potential secretaries the role as I saw it.

Senator CARR—Did you interview many people for the building industry appointment?

Ms Belcher—I cannot recall. I would need to check, but the only two that come to mind were with the people who subsequently got the jobs.

Senator CARR—I would appreciate it if you would check that for me. Is it your recollection that there was, in fact, only one interview for the royal commission into the building industry?

Ms Belcher—That is my recollection, yes.

Senator CARR—Could you check that for me?

Ms Belcher—Yes.

Senator CARR—Mr Thatcher, of course, was recommended by the Department of Employment and Workplace Relations—was that the case?

Ms Belcher—Yes, that was my understanding, but I would want to check that.

Senator CARR—There was a short list of one prepared by the department.

Ms Belcher—I do not think I was involved in consideration of anyone else.

Senator CARR—Were you involved in the development of his contract of employment?

Ms Belcher—No.

Senator CARR—I will go elsewhere for that matter. Do you know who was responsible for the preparation of his contract?

Ms Belcher—Finance and Administration. At that stage they were responsible for the administration aspects of royal commissions. It passed then to the Attorney-General's Department. I do not know at what point the contract with Mr Thatcher was signed. I would say Finance and Administration, but I cannot be sure.

Senator CARR—Did you point out to Mr Thatcher that he was required to relinquish any post he held with lobby groups while he was the secretary of the building royal commission?

Senator Ian Macdonald—Would that have been your role?

Ms Belcher—No, I was not aware of other interests. It was not discussed as far as I can recall.

Senator CARR—Mr Thatcher presented a conference in May in Geneva, representing the employers association, while he was secretary of the building industry royal commission. Were you aware of that?

Ms Belcher—No.

Senator CARR—Would it be unusual, in your judgment, for a secretary of a royal commission—as you were a secretary of a royal commission yourself—particularly as it is in

such a controversial area, inquiring into the building industry, to be representing an employer organisation at an international conference?

Senator Ian Macdonald—You would want to check the facts.

Ms Belcher—I really cannot comment on that. I am not in any way aware of his attendance or non-attendance. I would have thought that would be a matter for handling within his contract or discussion with the royal commissioner.

Senator CARR—Thank you very much.

Senator MURRAY—Mr Henderson, I am going to want to cover imperial honours, if you have the officer available.

Mr Henderson—Yes, Mr O'Neill is here at last for imperial honours.

Senator MURRAY—Mr O'Neill, is there provision in the imperial honours process for the posthumous awarding of imperial honours?

Mr O'Neill—The imperial honours, like the Australian honours, is a society of honours for living persons. As far as I am aware, there is no provision for posthumous awards in most of the societies of honour—obviously in the case of a VC or something like that there may well be—but nor is there provision for a person to be removed from the order if they do debase.

Senator MURRAY—I assume there have been instances where an honour process has been gone through and the person has been approved and has subsequently died just prior to the ceremony or the award—has that happened?

Mr O'Neill—That certainly has happened. When we are referring to the imperial honours, we are referring to the British honours that were adopted as part of the Australian honours system up until 1991, so since 1991 I cannot comment in respect of any action in relation to the British system. I am only speaking in relation to the Australian honours system.

Senator MURRAY—The Senate Community Affairs References Committee conducted an inquiry into child migrants. One of their recommendations was a unanimous recommendation that Brother Keaney be stripped—I am paraphrasing, obviously—of his imperial honour, as a result of information which had emerged subsequent to the honour being granted. There is no inference by the committee that the honours committee at the time did not do their jobs; they just were not aware of the information available. That unanimous committee had representatives of the Liberal Party, the Labor Party and the Democrats on it. The government response to that recommendation stated that—and again I am paraphrasing—because Brother Keaney had not been convicted of any offence and because he was dead, they were essentially going to leave him on the list.

There are two problems with that, as I see it, and I would like your response to this. The first problem is that the matters for which he would have been found an improper holder of such an honour go to criminality; namely, that he was head of an organisation which ran a paedophile ring, and criminally and sexually assaulted children. There are literally hundreds of submissions, documents, books and so on which attest to the beastly nature of the man. However, the statute of limitations would have prevented him, under Western Australian law, from ever having been dealt with, because it was a very short period that people had to deal with this. So the first response is that it is unlikely he would have got to court in the first place. The second problem is that, if he is left on the honours list, he sits there with all those deserving of those honours. The government's decision has offended the child migrant community and is contrary to the unanimous considered view of the Senate committee. Was

this matter brought to your attention or your section's attention before the government decision was made?

Mr O'Neill—I was certainly aware of that case.

Senator MURRAY—Did you participate in arriving at the government's response?

Mr O'Neill—I was certainly conscious of the arrangements that applied. I think he was a member of the Order of the British Empire. There are provisions for a person to have their honour withdrawn or cancelled. The approach that has been adopted in relation to those matters is that it is a matter for the nominating body in the first instance to initiate any action. I now cannot recall whether that was a Commonwealth or a state award. If it was a state award, it would be a matter for the state government to initiate the action with the appropriate authorities in the United Kingdom.

The approach that has been adopted by the jurisdictions in Australia is that action is not taken to recommend the withdrawal of an award until all matters have been resolved satisfactorily in the courts, notwithstanding that there might have been the appearance that the person might be subject to an adverse finding under criminal law. The person had died. The Order of the British Empire is not clear in relation to what would happen in those circumstances; it would become an allegation that would have to be considered. They do not work on a system like the Order of Australia, where a council would consider it. It is done on a more bureaucratic arrangement, depending heavily on the recommendation of the nominating body. The issue gets extremely complex. I do not think there is a simple answer. The fundamental issue was that the person had died before action could be finalised.

Senator MURRAY—You would appreciate the difficulty that the government has placed itself in. There is not a government, in either the administrative or the political sense, which would in any sense condone or support the activities which Brother Keaney was plainly involved in—on the face of, as I say, hundreds of instances of recorded behaviour. The government would plainly never support or condone those matters, and yet the effect is to leave him with these honours. You may need to take this on notice, but have there been any instances of the withdrawal of imperial honours granted to an Australian citizen or resident?

Mr O'Neill—I would need to take that on notice. There are approximately 70,000 awards made to Australian citizens under the Australian honours system, which involved the British system until 1991.

Senator MURRAY—Secondly, would you be able to provide the committee—again, you may need to take it on notice—with as much information as is available as to the nominator or nominators at that time; the way in which the matter was reviewed and judged; the criteria used at the time; everything surrounding the way in which Brother Keaney was put up as someone justifying such an honour; and the way in which the decision was finally made. Please provide such material as is available to you.

Mr O'Neill—That raises issues other than the straight one of possession or discovery of documents. It would have to be taken on notice as well.

Senator MURRAY—I recognise that you may have some difficulties. Obviously, these are events of the fifties so I urge you to provide as full an account as you can. Given the government's response, what provision is there for either the parliament or the community, however organised, to apply to Her Majesty for this annulment or cancellation to take place?

Mr O'Neill—The usual approach, in respect of approaches to the sovereign of Australia, is that she relies on advice from the ministers. In this case, it would be the minister of the jurisdiction where the person's nomination came from in the first instance.

Senator MURRAY—Are you aware of the widespread publicity in at least the United States, Canada, Ireland, England, France and Australia, of course, where paedophilia and the criminal, physical and sexual assault of children has been exposed as being widespread in certain institutions and churches? There is widespread community demand that the persons who were formerly concealed and had their crimes concealed should be exposed and held up as examples of bad behaviour, which should be rooted out of the institutions and churches where otherwise good individuals exist.

Mr O'Neill—I certainly understand the point, but I am not in a position to comment on that.

Senator MURRAY—If your office were presented with an approach to nominate someone today who had literally hundreds of allegations of such behaviour against them, even if they had not gone to court, and they were alive, do you think it likely that the honours process would recommend such a person to receive honours?

Mr O'Neill—I am familiar with the process. In the Australian honours system, the Council for the Order of Australia and the Honours Secretariat, as was described yesterday, would examine those very thoroughly.

Senator MURRAY—Do you think it likely that they would approve such a matter, if there were widespread public knowledge of such events?

Mr O'Neill—As a point of principle, I cannot speak on behalf of the Council for the Order of Australia.

Mr Henderson—I am a member of that council. The hypothetical situation you are posing is that that information would have already been in the public arena at the time the council was considering a nomination. Is that right?

Senator MURRAY—The real point I am making—and it is not a debating point, Mr Henderson—is that the statute of limitations would mean that there would be living people similar to Brother Keaney—in fact there are still members of his paedophile ring alive—who could in theory be put forward, as any Australian could, as nominees for honours. My assumption is that even if they weren't accessible to the courts, if they were persons of notoriety the process would reject them automatically. What I want is confirmation that that would be the case.

Mr Henderson—It would be the case. In considering nominations the council are appropriately cautious on these matters, and they would certainly make extensive inquiries if there were any doubts. The hypothetical situation you are putting forward is where it is in the public arena. In my experience of six or eight of those meetings, they certainly would not proceed with a nomination in those circumstances. Where there was any doubt there would be more extensive inquiries seeking additional referees associated with the nomination, and that is often the case. The process is often quite long: 18 to 30 months.

Senator MURRAY—My final question on notice is whether the office could provide information to the committee as to what processes are available for applications—now that the government itself will not act—to have this person struck off.

Mr Henderson—We will take that on notice.

Senator FORSHAW—I have a few questions with regard to honours and medals. Firstly, Mr O'Neill, I notice at page 167 of the annual report there are a number of consultancies that were contracted and paid during 2000-01. In each of those cases they relate to either the 'It's an Honour, Australia' exhibition or the Centenary Medal campaign. Have you got that page of the report?

Mr O'Neill—I am familiar with the contents.

Senator FORSHAW—There are five of them: Morris Walker PR Works, Spincreative, Studio Furniture, Morison and Wall and Interim Technology Solutions Pty Ltd. In none of those cases was there any public advertising. I assume that was before the contract was awarded. Is that the case?

Mr O'Neill—Certainly Morris Walker was a select tender. We had been using Spincreative for a time and it was a particular task that we asked them to do. Studio Furniture built our travelling exhibit and we did that on the basis of a select tender. Morison and Wall developed the material for the travelling exhibit—they are electronics people—and again they were a select tender. Interim Technology Solutions, which are now Spherion, was also a select tender.

Senator FORSHAW—It seems that in most of these cases there is no public advertising—when I say 'most cases' I mean in all the other areas as well; output group 2, group 1 and so on. Is there any particular reason why these would not be publicly advertised?

Mr O'Neill—I am not quite sure what advantage we would have gained in the sense of the quality of the outcome. For example, Studio Furniture had a capability that was available within the ACT region; there would be no point in going outside of it.

Senator FORSHAW—I am not suggesting necessarily that they should have been, either. You have these columns in appendix 4 for 'contract price', 'publicly advertised' and 'reason for engaging consultancy services'. I am only asking you these questions in regard to output group 4; but, in every case in the companies you have mentioned and in just about every other case, there is no public advertising involved. The question I immediately have is: why?

Mr O'Neill—I was satisfied of the quality we were getting from these people. As I said, they were select tenders in most of the cases and they have very high reputations.

Mr Henderson—We did discuss this yesterday. I accept that there are a couple of columns where 40 things say no and four say yes, and maybe that is not the way to dissect these contracts. We have undertaken to provide additional information to explain the basis on which we got value for money with these contracts.

Senator FORSHAW—Yes, I appreciate that.

Mr Henderson—Mr O'Neill has just given you one pretty straightforward answer: it is not worth advertising in Sydney and Melbourne for a carpenter to do a job in Canberra.

Senator FORSHAW—That is obviously an understandable reason, but as the reasons were not outlined there I thought I would ask. I do want to follow on and ask some questions, particularly in regard to the centenary medal campaign. Can you briefly outline to me where this is up to?

Mr O'Neill—All jurisdictions are well advanced in bringing forward their nominations. The council for the centenary medal which has been established to assess all nominations will be meeting on about 16 July to consider the nominations. Soon after, I would expect, subject to the council's views, we will make a report to the Prime Minister, and then we will be in a

position where the Prime Minister will formally nominate to the Governor-General who will get a medal.

Senator FORSHAW—There are a couple of different groups of potential recipients. One, firstly, is a defined group, which is anybody who is a centenarian as at 1 January 2001. According to the media release of the Prime Minister on 8 May, there are around 3,000 such potential recipients; is that correct?

Mr O'Neill—That is correct, yes.

Senator FORSHAW—The Prime Minister announced on 8 May that 20 of these people had been presented with their centenary medal at Admiralty House that same day by the Governor-General. How many have been presented to the centenarians to date?

Mr O'Neill—I cannot give you an exact figure, but I know that about 1,100 or 1,200 nominations or identifications are in for centenarians, and they are being processed. Somewhere, I would have thought, in the area of 500 or 600 of those would have been processed.

Senator FORSHAW—But how many were actually presented? How many have been given their medal?

Mr O'Neill—About that many would have been given their medal.

Senator FORSHAW—Five hundred to 600?

Mr O'Neill—Of the centenarians, yes.

Senator FORSHAW—How did you come to determine the list? Who qualifies? It is a fairly easy qualification.

Mr O'Neill—Are we still referring to centenarians?

Senator FORSHAW—Yes, to the 3,000 people who I understand fall into the category of having been born before 31 December 1901 and therefore turned 100 by 1 January 2001. That is a defined group of wonderful Australians who have reached that age. Do you have a database of those people?

Mr O'Neill—We do not have a database. A database is being developed as people are identified. There are people within the community. We have asked federal parliamentarians to help us in identifying the people. We have a media campaign running throughout the aged media. We have been in touch with every nursing home and aged care hostel in Australia to ask them to assist in identifying the people who are in residence. Those names are coming forward.

Senator FORSHAW—When did you start to assemble this list?

Mr O'Neill—We commenced it at the beginning of this calendar year.

Senator FORSHAW—This is for people who turned 100 on or before 1 January 2001?

Mr O'Neill—Yes. That was the prescribed date.

Senator FORSHAW—And you started to assemble the list of names at the start of 2002?

Mr O'Neill—There are limited sources from where we can get the names. There are privacy considerations that apply to other databases that may have age or date of birth.

Senator FORSHAW—When did you start the process? Sorry, let us go back a step. When was the decision actually made to award this medal?

Mr O'Neill—The decision to award the medal was made in about 1997.

Senator FORSHAW—The Prime Minister's media release on 28 December 2001 said, 'I announce the creation of the centenary medal.' He then referred to the special group who would receive that medal as centenarians. If the decision was made in 1997, are you telling me that no real work started to actually develop a list of who would qualify until this year?

Mr O'Neill—We had to make sure that the scheme was up and running. The establishment involved the Queen of Australia formally establishing it. The Prime Minister did talk about the creation of the medal. We could not do anything before that.

Senator FORSHAW—Mr O'Neill, are you telling me that, with all of the resources of the Commonwealth government and the state governments with whom you were cooperating and all of the work that was being done to celebrate our centenary, you could not have moved to prepare a database or a list of people who would be turning 100 on or before the anniversary date any earlier than you did?

Mr Henderson—I think it is worth mentioning, and I am not sure at what Senate estimates hearing it was in the first half of last year—

Senator FORSHAW—Forgive me, but I did not attend those.

Mr Henderson—No, but I just want to make the point that the initial administrative arrangements as between the Commonwealth and states were discussed, and there were a number of observations made by some of your colleagues and also further reflection by the government on the arrangements for this medal. So, not to put too fine a point on it, we went back to square one to finetune some elements of this arrangement. The idea of the medal was decided in 1997. The press release you have there was the announcement of the finalised arrangements.

Senator FORSHAW—Yes, but—

Mr Henderson—There was no point in building a database until the government had signed off on the detail of the arrangements.

Senator FORSHAW—I hear what you say there; but, to fill out the complete picture, the recipients of this medal will be both a discrete group of people who are able to be identified and those people who will be nominated, including by members of parliament. We received our brochures recently for that. I think the cut-off date was the end of last month. As well, other people can nominate them, I suppose. Then there will be a determination made for that second group of people. I am just interested in the defined group of people who qualify as centenarians.

I would have thought that there were plenty of resources available to ascertain who those people were. In fact, members of parliament are able to use their resources, and have done so, to nominate such people for congratulatory messages from Governors-General and the Queen, and indeed from themselves. Given that this group of people is not a growing number but a decreasing number—and in recent weeks we have seen a number of people, including former Anzacs over the age of 100 and Australia's oldest living male, pass away—I am at a bit of a loss to understand how you are still trying to assemble the list.

Senator Ian Macdonald—Mr Chairman, this is a very important matter. It is one that I think would probably benefit from, if we could come back after our luncheon break. Perhaps we could break now and resume at two o'clock.

Senator FORSHAW—I am not sure how much longer it will take. Could we go for another couple of minutes and at least get an answer to that question?

Senator Ian Macdonald—I have other commitments.

Senator FORSHAW—We all have those, Minister, but we are coming back at two o'clock to start a new agency. I am happy to come back to this later in the afternoon.

CHAIR—Perhaps you could quickly knock it off now, Senator Forshaw.

Senator FORSHAW—It seems that the more questions I ask, the less—

Senator Ian Macdonald—With respect, you have not asked a question; you have given a soliloquy for five minutes.

Senator FORSHAW—I have asked a question. I want to know—

Senator Ian Macdonald—You have been saying, 'Haven't you got the resources?' They have explained the situation. Senator, I do not want to cut you off, but we do not seem to be going anywhere. They have answered the question.

Senator FORSHAW—They have not answered the questions at all. I have asked how many of the 3,000 have been identified; I have been told around about 1,100. I want to know why the whole lot have not been able to be identified.

Senator Ian Macdonald—They have explained that.

Senator FORSHAW—They have not explained it at all. I also want to know how many medals have been given out.

Senator Ian Macdonald—Perhaps we could take that on notice and get back to you.

Senator FORSHAW—I am happy to come back to it later this afternoon, but it will not be straight after lunch.

CHAIR—I think the batting order at the moment is that we will resume at 10 past 2 with the Audit Office, followed by the Commonwealth Ombudsman and then followed by the Inspector-General of Intelligence and Security. Then we will go back to output 4 within the department.

Senator FORSHAW—I think Senator Faulkner and others have more on output 4, anyway.

CHAIR—I understand that. Then we will have output 3. When we resume we will look at the Audit Office, but you will have to wait to ask your questions, Senator.

Senator FORSHAW—Yes. People are waiting for these medals, so I am happy to wait.

CHAIR—Minister and Mr Henderson, are you happy with that?

Senator Ian Macdonald—Yes.

Mr Henderson—Yes, we are happy with that.

Proceedings suspended from 1.09 p.m. to 2.13 p.m.

Australian National Audit Office

CHAIR—I call the committee to order and welcome Mr McPhee and officers from the Australian National Audit Office. Before we commence, there are a couple of administrative things. The committee has received an email from Mr Michael Smith, the Director of Inside Public Relations Pty Ltd, who gave advice to the Governor-General on public relations. That

was discussed yesterday. Mr Smith is claiming in this email that he may have been misrepresented. I receive that on behalf of the committee. Secondly, there is a letter from Mr McPhee regarding the portfolio budget statements for 2002-03, relating to the Prime Minister and Cabinet portfolio on page 67 of the PBS, simply pointing out to the committee that there is a transposition error. I note that as well. We will commence with general questions unless there is an opening statement.

Mr McPhee—There is no opening statement.

Senator CONROY—I would like to clarify a number of issues arising from your April Audit report No. 41 2001-02: *Transactional banking practices in selected agencies*. Could you briefly outline the cash management incentive scheme that was set up when new banking arrangements were introduced on 1 July 1999?

Mr Cronin—The scheme was introduced as part of the devolved banking arrangements. It allowed agencies to market test the outsourcing of their banking services from the RBA if they wished to go to alternative suppliers. Agencies, as part of the scheme for the incentive banking arrangements, were to manage their cash in such a way that the outcome for the budget was to be budget neutral. Finance set up an appropriation framework in which agencies had money deducted from their appropriations and they could earn that back through an admin appropriation that Finance had in outcome 2. The scheme has operated since 1 July 1999 and the audit report found that, in the three years of operation, it was non-budget-neutral to an estimated \$151 million.

Senator CONROY—There has been some debate that in actual fact there has been no money lost at all, that there has not been money that has been overspent.

Mr Cronin—We can report that the scheme has been non-budget-neutral. The \$151 million of additional resources have flowed to departments in excess of what was clawed back from them in terms of reductions. The audit did not cover what they have done with it.

Senator CONROY—Presumably they spent it, otherwise they would have handed it back.

Mr Cronin—The changes that were introduced in 1990 in the introduction of accrual budgeting mean that departmental appropriations do not lapse—so they are actually ongoing.

Senator CONROY—As you said, the scheme was to have no net impact on the budget bottom line. That means that it would not cost anything.

Mr Cronin—The decision was that it was to be budget neutral.

Senator CONROY—And it was not—to the tune of \$151 million. Under the scheme, Finance's appropriations were increased to fund interest payments to agencies. Is that correct?

Mr Cronin—Yes. That occurred in 1999-2000 and 2000-01. There was a significant change made in 2001-02, and that is represented in terms of Finance's portfolio budget statement for that year, where there was no actual formal appropriation made.

Senator CONROY—I will be coming to that issue. Section 31 of the FMA Act was amended in such a way that these interest payments could be included in departmental appropriations. Is that correct?

Mr Cronin—That is correct.

Senator CONROY—These payments were notional payments based on administratively determined rates set by Finance. Is that right?

Mr Cronin—That is correct.

Senator CONROY—But they were added to departmental appropriations so the money was available to be spent?

Mr Cronin—Yes. Section 31 of the FMA Act, and the appropriation bills 1 and 2, note that notional transfers are actually real transfers.

Senator CONROY—That is right. These additional appropriations were supposed to be clawed back so that the scheme was budget neutral, but you say there was no systemic process in place to recover these additional appropriations. Do you know why?

Mr Cronin—I would be only guessing as to why it was not fully recovered.

Senator CONROY—Nothing became apparent during your inquiries?

Mr Cronin—No. This was an issue that arose very late in the audit and led to the issuing of a number of section 19 reports.

Senator CONROY—So, because they did not claw it back, over the three years it was \$151 million?

Mr Cronin—That is based on information from the RBA and the Department of Finance and Administration. That is our estimate.

Senator CONROY—This was actually from the department of finance to you, the information that you based that on?

Mr Cronin—Yes. It is sourced to page 16. You will see the source is there and you will see the number is also referred to in the department of finance's quote to us in footnote 7 of figure 2 on page 16.

Senator CONROY—I would now like to look at how the cash management incentive scheme actually impacted on the budget. In Appropriation Act (No 1) 1999-2000, \$54 million was appropriated to DOFA under outcome 2 to make interest payments under the incentive scheme. However, actual interest paid to Finance in 1999-2000 was \$91 million.

Mr Cronin—In 1999-2000, the figure I have got for the estimated actuals is \$67.9 million off the PBS—or are you looking at the figures contained in the RBA's quote in our report which drew on an accruals basis? I have got the numbers off the PBSs. The difference is that in fact the appropriations essentially work under a cash basis and not on an accruals. The numbers quoted in here from the RBA refer to on page 47—there are a series of numbers quoted there and they are on essentially—

Senator CONROY—Is that in your report?

Mr Cronin—In our report, on page 47.

Senator CONROY—I said \$54 million but I am sure that is just rounding from \$53.8 million.

Mr Cronin—There are differences because of the basis on which the numbers were done. The PBSs provide probably a more accurate thing in terms of the appropriations.

Senator CONROY—I am just trying to find the relevant pages. I might come back to you on that. Putting aside the actual figures, which I said I will come back to you on, if Finance had received or retained that relevant amount would it have pushed it outside its outcome to appropriation limit?

Mr Cronin—If those amounts, for example, in 1999-2000 had not been returned and Finance had stopped the payment of interest, then it would have gone outside the overall appropriation for outcome 2.

Senator CONROY—Depending on which number you pick—that is what has thrown me there for a minute.

Mr Cronin—This is detailed in figure 2, page 16, footnote 1, where we talk about the repayment by Finance of \$14.2 million to consolidated revenue and Finance stopping the payment of a further \$9.9 million in interest.

Senator CONROY—Right. So what would that be?

Mr Cronin—That is \$23.1 million. And that indeed feeds into that Finance capital appropriation in the next year of \$24.5 million.

Senator CONROY—So rather than seek an additional appropriation, Finance decided either not to accept or not to return funds totalling \$24.5 million to the consolidated revenue fund?

Mr Cronin—Yes. They returned a substantial amount of money: \$14.2 million was returned to consolidated revenue and \$9.9 million was stopped in terms of payment by the RBA, as a credit into their bank account.

Senator CONROY—But in the following year, as you say, 2001-02, Finance issued an invoice for \$24.5 million which was met under Appropriation Act (No. 2)?

Mr Cronin—The \$24.5 million is what they received under Appropriation Bill (No. 2) for an equity injection. We are unaware of the RBA being asked to repay that money. The money that was returned to the RBA, for all intents and purposes, has never been requested by the RBA to be credited to their account.

Senator CONROY—Can I give them my bank account number? If there is a spare \$24 million or \$9 million just floating around that no-one wants to claim, I am prepared to put my hand up.

Mr Cronin—That money was received by Finance through Appropriation Bill (No. 2) in 2000-01.

Senator CONROY—Where does that mean it is? Is it with Finance?

Mr Cronin—It is being transferred as an equity injection to Finance.

Senator CONROY—What do they mean by equity injection? It is a phrase that I have not heard, in terms of budgetary accounting in the public sector. I have heard it plenty of times in private sector discussions, but I have never heard it in this context.

Mr Cronin—The Agency Banking Incentive Scheme is funded as an ordinary general services of government. It comes out of Appropriation Bill (No. 1). In 1999, the Senate agreed that equity injections could be funded out of Appropriation Bill (No. 2). Finance in 1999-2000 raised a receivable, which was then funded out of the capital appropriation in 2000-01. That is how the money eventually flowed to Finance's bank accounts.

Senator CONROY—So I miss out then? There is no money going into my bank account anymore?

Mr Cronin—Unfortunately, no.

Senator CONROY—I thought I might get lucky there. Going back to the numbers I was talking about earlier, from page 21 of your report. I asked whether, in Appropriation Act (No. 1) 1999-2000, \$54 million was appropriated to DOFA under outcome 2.

Mr Cronin—Yes.

Senator CONROY—That is basically reading straight from your report, which says \$53.8 million, so I am saying \$54 million. That was for the purpose of making interest payments to agencies as part of the appropriation. You were querying whether that \$54 million was the—

Mr Cronin—I was looking at what is over here, yes.

Senator CONROY—So that is the \$54 million that I am referring to?

Mr Cronin—Yes.

Senator CONROY—But actual interest paid to Finance in 1999-2000 was \$91 million, which is mentioned a couple of sentences further down on page 21.

Mr Cronin—Yes. There was some netting out of that. This is why in figure 2, on page 16, the footnotes come into play. How the money eventually gets there for 1999-2000 is spelt out in figure 2 at footnote 1. We end up with a figure of \$77.4 million. We take the \$77.4 million, less the clawback.

Senator CONROY—That is what gets us down to—

Mr Cronin—It gets us to essentially \$22.4 million.

Senator CONROY—Thank you for helping clear up those figures. We were talking about the equity injection before and you were saying that Finance issued an invoice for \$24.5 million which was met under Appropriation Act (No. 2)?

Mr Cronin—Yes.

Senator CONROY—Finance's actions shifted the budget impact of interest payments between two financial years. That is right, isn't it?

Mr Cronin—Yes. It essentially shifted it from 1999-2000 into 2000-01.

Senator CONROY—Under an accrual budget, can you do that?

Mr Cronin—I think you can.

Senator CONROY—You can?

Mr Cronin—It has been done.

Senator CONROY—You can write a number on a piece of paper anywhere you like, but the question is: isn't this in breach of accrual accounting principles that interest revenue and expense be reflected in the year in which it is receivable or payable?

Mr Cronin—That is the normal accrual basis.

Senator CONROY—Is there an abnormal accrual basis that the government works on, other than what is convenient at the time?

Mr Cronin—There are two things here. We looked at the appropriation framework. The appropriation framework is based on a cash basis. So we went through the whole process of the constitutional validity of—

Senator CONROY—I am coming to all those things.

Mr McPhee—The accounting itself is fine; the accounting treatment is fine.

Senator CONROY—Finance also split the appropriation for interest payments in 2000-01 between Appropriation Acts Nos 1 and 2?

Mr Cronin—That is correct.

Senator CONROY—How is it possible to have two appropriations for the same program under both Appropriations Acts Nos 1 and 2?

Mr Cronin—The \$24.5 million out of [Appropriation Bill \(No. 2\)](#) was for Finance for the capital injection—the equity injection. That covered off the account receivable that they had made out to move that money across the years. It is unusual.

Senator CONROY—Unusual? The Auditor-General says it is ‘unusual’: most other people would take that as a blazing red flashing light.

Mr Cronin—As you mentioned, we do comment in here about the concept of shifting the amounts between the years.

Senator CONROY—That is how I noticed it in the first place. Have you ever seen it before?

Mr McPhee—Sometimes there is a margin in the distinction between capital injections and what would be ordinary appropriations for the day-to-day runnings. While we would not suggest this is out of order, within the public sector this distinction between equity injections and injections for what I would call normal operational purposes can get a bit esoteric.

Senator CONROY—I have never heard the distinction taken before.

Mr McPhee—The accounting effect is that it avoids the actual revenue item going through the agency’s normal statement of operations. It goes straight to equity, as it would with—

Senator CONROY—Would you describe it as disguising a transaction or making it less than transparent?

Mr McPhee—No; it is transparent in the sense that it is disclosed. It is just that the accounting for it does not go through the department’s normal income area; it goes straight into the equity area of the accounts and avoids going through the normal operating statement of the department. So it is there, and it is transparent. What I am saying is that there is some academic debate about the meaning of equity within the context of public sector agencies.

Senator CONROY—More money coming in. It is like equity.

Mr McPhee—Exactly. Some would argue that it is a concept that really does not apply, and agencies should take all revenue through their normal operations. They should deduct the expenses. The resulting surplus or deficit moves across into some equity or some residual balance account. In the context of the government accounts, that has the name of the equity area of the accounts. The idea of an equity injection is often a case of the government deciding that it significantly wants to enhance the capital base of a particular agency for a particular reason, and so it may provide an equity injection into the department.

Senator CONROY—That is not what was happening in this particular case, is it?

Mr McPhee—No; this is a variation of it. Obviously the decision is that this sufficiently exhibits the characteristics of equity to justify. It is a grey area, and we have had discussions with Finance over the years about what is equity and what is revenue for normal purposes. We have not ruled it out in an accounting sense, but I make the point that there is a level of judgment involved in that.

Senator CONROY—From your point of view, an aggressive accounting practice perhaps?

Mr McPhee—I would not call it ‘aggressive’. The thing is, it is disclosed and transparent. The only argument you get into is that academic one of whether it is really an equity item or a normal revenue item.

Senator CONROY—Wouldn’t it have been more appropriate to get an additional appropriation in 1999-2000?

Mr McPhee—We did not explore that particular element, but I think it is a fair question.

Senator CONROY—I am hoping you will give me a fair answer.

Mr McPhee—I guess we would want to look at it more closely, but could I suggest this: the reason Finance and Administration has taken this approach is that their experts in this area would have suggested it exhibits the characteristics of equity. As I say, it is a grey area.

Senator CONROY—They would say that, wouldn’t they? In 2001-02, I cannot see any appropriation for interest payments in Finance and Administration’s portfolio budget statement—page 44, ‘Bank interest’—yet your report shows a payment of \$86 million or \$37 million after clawback was made in 2001-02. That is attachment 4. Where is the appropriation for interest payments in 2001-02?

Mr Cronin—The portfolio budget statement of Finance and Administration shows that there was a zero there. Footnote 4 on page 45 of their 2001-02 PBS says:

Reporting of bank interest transferred from Department of Finance and Administration to Crown from 2001/02.

Essentially, there is no appropriation.

Senator CONROY—There is no appropriation?

Mr Cronin—In terms of that, no. Finance and Administration has legal advice that—

Senator CONROY—We will roll into that legal advice in a tick. Section 83 of the Constitution states:

No money shall be drawn from the Treasury of the Commonwealth except under appropriation made by law.

Section 5 of the appropriation act states:

For the purposes of this Act, notional transactions—

and I think you have already said this, Mr Cronin—

between Agencies are to be treated as real transactions.

Could you interpret those sections in this particular context? I am struggling to see how we can have no appropriation for moneys that are moving around inside the Commonwealth—even though they may only be notional?

Mr Cronin—As you aware, the general thing is that we always have an appropriation.

Senator CONROY—Yes, the Constitution specifically requires it.

Mr Cronin—Yes, that is the normal process the Commonwealth operates under. The Department of Finance and Administration received legal advice saying that, as this was an internal transfer within the Commonwealth, they did not need an appropriation. They have gone back to an appropriation framework for this year.

Senator CONROY—Yes, I am sure they have—after you have sprung them. Section 5 of the appropriation act, to repeat, states:

For the purposes of this Act, notional transactions between Agencies—
which is what this is—
are to be treated as real transactions.

I am trying to understand how creative legal advice would need to be to get around the Constitution and section 5 of the appropriation act.

Mr Cronin—Paragraph 2.30 in our report on page 51 leads into a quote from Finance and Administration's legal advice on page 52. Part of that legal advice reads:

However, the transfer of such amounts without an appropriation will no doubt raise policy issues ...

Senator CONROY—In your view, what issues does this raise?

Mr Cronin—As we note in the report, transparency and accountability to parliament.

Senator CONROY—It is a fairly serious policy issue. The whole point of these documents is to try and be transparent and to disclose. You are waving a fairly large red flag here to say, 'Look, this is a very serious issue that has transpired.' It may be over a relatively small amount of money, it may be over a notional transaction, but it is a very serious public policy issue when the Constitution appears to be thwarted and act of parliament appears to be thwarted in its intent if not in practice.

Mr McPhee—I think 'thwarted', in view of the legal advice, might be a bit strong, but in terms of convention and what we would say is good and accepted practice, it is better to go with the appropriation and have the transparency around that than not to have the appropriation and lack the transparency.

Senator CONROY—Do you think this has established a precedent whereby notional payments can be made and spent without an appropriation and therefore without any external accountability or scrutiny?

Mr McPhee—Whether it creates a precedent I guess we would need to see, but my understanding is that Finance is probably moving back to the more traditional approach. So, desirably, it will be a one-off rather than a precedent.

Senator CONROY—Are you aware of any attempts by any other departments, or by Finance in cahoots with anybody else, in this area? Have you picked up anything at all?

Mr McPhee—I am not aware of any. Certainly, ever since interagency charging was introduced it was always seen that there should be a proper charge against a legitimate appropriation. So this is longstanding.

Senator CONROY—Sure, I agree. After you blew the whistle on them they decided to clean up their act.

Mr McPhee—I think we would both agree that it is better practice to have the appropriation in place.

Senator CONROY—Footnote 4, in particular, I found interesting. It says:

Finance's 2001–2002 Portfolio Budget Statements note that reporting of bank interest was transferred from Finance to the Crown from 2001–2002.

Was that in the Tower of London, perhaps? What is the crown? Is there a box next to the crown jewels? I have never heard of it in a budgetary sense before.

Mr McPhee—Finance would no doubt do a better job at explaining the crown than I would.

Senator CONROY—I doubt that.

Mr McPhee—The concept is that agencies are reporting entities in their own right; and so, when a secretary signs off on the financial statements, he or she is reporting on the transactions relevant to the matters under the control of his or her agency. In addition to those transactions—how they dispense departmental funds, running costs or whatever the current terminology is—there are other transactions which agencies administer on behalf of the government. These might be pension payments or other administered transactions. And in some of the accounting literature there is a discussion that some of those transactions which are undertaken on behalf of the government constitute some sort of a crown entity, a separate entity, a notional entity—

Senator CONROY—Is this some 14th century document that you are referring to?

Senator Hill—I wonder if we could arrange a briefing for Senator Conroy.

Senator CONROY—I think it is the Department of Finance that needs the briefing, Senator Hill.

Senator Hill—Then the committee might get back to the estimates. It is a very interesting subject, and I am sure there are a lot of specialists around that have intricate knowledge of these matters who would appreciate the opportunity to brief Senator Conroy fully and, hopefully, satisfy his voracious appetite.

Senator BRANDIS—You think this is a very expensive public tutorial for Senator Conroy, do you, Senator Hill?

Senator Hill—This is not supposed to be a tutorial session.

Senator FORSHAW—Why do ministers, who are always representing other ministers and who get a bit bored after a while—

Senator Hill—‘Boredom’ was a word that I decided not to use.

Senator FORSHAW—They always use the line, Senator Hill, that this is a very interesting subject but they are not interested in it. The rest of us are.

Senator Hill—I did not say that I was not interested. I might even come to the tutorial as well.

Senator FORSHAW—Well, if you stay here you will learn this afternoon.

Senator CONROY—Senator Hill, has your department ever transferred any money to the crown?

Senator Hill—Transferred to the crown?

Senator CONROY—Yes, have you ever transferred any money to the crown?

Senator Hill—We mainly get money transferred to us.

Senator CONROY—Have you ever heard of the public accounting principle of the crown?

Senator Hill—The public accounting principle of the crown? In those terms, no.

Senator CONROY—It seems that no-one else has either. Mr McPhee, you were explaining to me about this ancient concept of the crown.

Senator Hill—Have I been overruled, Chair? My objection is one of relevance.

CHAIR—Senator Conroy has promised to focus his questions.

Senator CONROY—I am talking about the relevant issues.

Senator BRANDIS—If Senator Conroy had the good fortune to be a lawyer he might understand these things a little better.

Senator CONROY—Thank God I am not a lawyer! However, I do have a small background in accounting, and that is why we are having this discussion.

Senator Hill—That is the trouble: a small background. A little knowledge is a dangerous thing.

Senator CONROY—It always is, and you should heed your own words. Have you ever seen any other references to the crown?

Mr McPhee—I certainly have.

Senator CONROY—In the budget papers?

Mr McPhee—I am not sure that I have seen them in the budget papers.

Senator Hill—What an obscure question.

Senator CONROY—They actually appear in your government's portfolio budget statements, Senator Hill.

Senator Hill—It is still obscure.

Senator CONROY—Do you know if any other entries of the crown have been made into the account?

Mr McPhee—As I said, it would be the notional entity that comprises all the administered transactions—that is my understanding. As you know, when you read a set of departmental accounts, it has agency accounts and administered transactions, and the crown is seen as the owner of all the administered transactions. 'Administered' is quite a commonly understood term within the budgeted framework.

Senator CONROY—But not 'crown'?

Mr McPhee—'Crown' is not commonly used.

Senator Hill—Perhaps the committee could take on specific terms of reference on this subject and conduct a session!

Senator CONROY—Thank you for your helpful contribution there! I am sure Senator Mason will give that deep consideration!

CHAIR—Senator Conroy, it would be good if you could focus your questions more on what is before you.

Senator CONROY—I do not want to sound silly, but I am actually referring to portfolio budget statements. This would be the purpose of estimates: to examine what is in PBSs.

Senator Hill—You could read the whole of the portfolio budget statements word for word.

Senator CONROY—I am actually quoting from PBSs; they are footnotes in PBSs.

CHAIR—I understand that, but it needs to be an issue that can be ventilated here with some prospect of moving debate forward. I am not sure that is happening, Senator Conroy.

Senator CONROY—You might not think so, but there are a lot of people in the building at the moment having a good laugh.

Senator FORSHAW—There is no guarantee they are watching this channel, though.

Senator CONROY—I note that in its portfolio budget statement for 2002-03, Finance does show a payment of \$73 million for the Agency Banking Incentive Scheme, on page 38, and there is no reference to the crown. Can you explain what has happened to the crown? Has it been stolen?

Mr Cronin—There are no footnotes at all.

Senator CONROY—Do you think they decided not to do any more transfers to the crown? Do you think they have got the hint yet?

Mr Cronin—I think you would have to ask Finance.

Senator CONROY—I will. But it seems to have dropped out of the accounting language after a brief appearance—does that seem to be the case?

Mr McPhee—It does seem to be becoming more conventional.

Senator CONROY—There is a serious point on top of the Enron style accounting practices of the government here. Does this mean that, on top of the \$151 million, the scheme may have cost another \$73 million? Is that what that appropriation, that payment of \$73 million, is? That would mean a total of \$224 million if that is the case.

Mr Cronin—I doubt it, because there should have been agency clawback applying that should have matched that \$72.8 million.

Senator CONROY—You do not know yet because you have not been able to test whether a clawback has occurred?

Mr Cronin—No, but we would assume in fact that agencies have had their appropriations reduced by \$72.8 million and this would match it out. If that occurred and agencies were paid the \$72.8 million, it would be budget neutral.

Senator CONROY—But if they have not done the clawback, as they failed to do previously, then you could argue that it is \$224 million. You have got to just determine whether clawback has occurred in the other areas.

Mr Cronin—Yes.

Senator CONROY—But it has potentially now hit \$224 million, depending on clawback.

Mr McPhee—I would think, with the timing of our audit and the timing of the budget processes, that our audit may have been a stimulus for some action on this account, without having the evidence for that.

Senator CONROY—We live in hope.

Mr McPhee—I would be slow in adding the \$72.8 million to that.

Senator CONROY—I will take your caution. Finally in this area, I would like to examine the additional costs that were incurred under the new banking arrangements. Further costs were incurred because agencies failed to appoint their existing banker, the RBA, despite it making the lowest cost tender. Why did the agencies not actually choose the lowest cost tender, that is, the Reserve Bank?

Mr Cronin—There tended to be a great deal of confusion. We looked at two agencies, Finance and the Australian Customs Service, and we assess the tenders somewhat differently to the agencies assessing the tenders. This largely related to a misunderstanding about same-day value. This is the concept where the RBA grants to the Commonwealth the same-day value so that we do not lose money on overnight money. Given the vast volumes of money that flow through Commonwealth Bank accounts, this is a considerable advantage to the Commonwealth.

Senator CONROY—This is T0, if I could use that expression?

Mr Cronin—Yes.

Senator CONROY—It is T0 versus T1?

Mr Cronin—Yes. The banking arrangements came into place in July 1999. In mid-January this year, the commercial banks moved to change their processes to allow, essentially, same-day value. So 2½ years after the event, the commercial banks have moved to establish a system for the Commonwealth—a system that the RBA has run for the Commonwealth for many years.

Senator CONROY—So the RBA offered T0, which meant the Commonwealth was the beneficiary?

Mr Cronin—Yes.

Senator CONROY—And, when the department of finance negotiated these new arrangements, they failed to understand the difference between T1 and T0.

Mr Cronin—They were given an understanding that, in fact, the commercial banks could provide same-day—

Senator CONROY—I am sure they told them they could; the question is whether or not they made them write it into the contract.

Mr Cronin—The actual contracts are done at the agency level, and so it is the responsibility of the individual agency.

Senator CONROY—We are talking about finance here. You said, in particular, you looked at two.

Mr Cronin—Yes.

Senator CONROY—So the department of finance, who are in charge of this outsourcing arrangement—

Mr Cronin—Yes.

Senator CONROY—did not understand or, more importantly, did not get a written guarantee from the bank—and I do not know which bank it was, and I do not really want to go there. But they failed to get the same positive arrangements out of the new bank they had then moved that they had had with the Reserve Bank.

Mr Cronin—Yes.

Senator CONROY—T0, in other words.

Mr Cronin—Yes.

Senator CONROY—They allowed the banks to get away with T1, whereas the Reserve Bank offered them T0, and they were so dopey that they did not understand the difference.

Mr Cronin—Finance did not take into account the costs of the settlement in terms of the evaluation of the tender. In terms of looking at the tenders at figure 4.2, on page 83 of our report, we came out with a different ranking of the tenderers, taking into account costs such as that.

Senator CONROY—So the Reserve Bank won, in your rankings.

Mr Cronin—On a cost basis. If you look at factors such as settlement costs to the Commonwealth, in our process the Reserve Bank finished second in the tenderers on price ranking. In Finance, we ranked them as No. 1 in our revised analysis, taking into account such things as the settlement costs.

Senator CONROY—So the department of finance did not select the cheapest tender when it was driving the tender processes itself.

Mr Cronin—That is what the report points to.

Mr McPhee—Just on that, though, obviously it is important that the decision be made on value for money, and Finance argued that there were also other considerations to take into account.

Senator CONROY—But they themselves did not actually take one of the most important considerations into account.

Mr McPhee—Certainly, in looking at the costs of the various options, we had a different outcome from theirs. But they also took into account other factors, and they would tell you that. Whether the cost dimension changed, the overall opinion is a matter that only they could comment on.

Senator CONROY—Why do you think it took two years, from January 1999 to January 2002, for the commercial banks to agree to offer the same terms as the RBA originally offered? Do you think they would have done it if you had not drawn it to everybody's attention?

Mr Cronin—I think Finance became aware of the problem and certainly started a dialogue with them. I do not know what impact the ANAO had on the process.

Senator CONROY—Further costs were also incurred because the balances in agency bank accounts were not always swept back to the official public account overnight—

Mr Cronin—Yes.

Senator CONROY—reducing funds available for investment and, hence, interest income earned by the Commonwealth. That is correct, isn't it?

Mr Cronin—Yes.

Senator CONROY—What was the arrangement before? Would the Reserve Bank sweep the accounts at night, with the money from that coming back to the Commonwealth?

Mr Cronin—Yes. That is always the arrangement now: the money is swept out of the accounts into the official public account. There were some teething problems associated with the sweeping of the money into the central accounts of the Commonwealth.

Senator CONROY—So did that mean it stayed with the banks that had won the tenders?

Mr Cronin—It stayed in accounts which were non-swept. Finance, with the agencies, has moved to recover the money, and about \$1.3 million was regained by the Commonwealth.

Senator CONROY—The report notes that the incentive scheme provides agencies with an opportunity to earn interest on surplus departmental funds. Do you think this perhaps encourages agencies to seek to bolster their surplus funds? In other words, isn't it a reward for not spending money?

Mr Cronin—It depends on how significant the funds are. For many agencies, the earnings of interest are very small.

Senator CONROY—Some of the departments, though, do have significant funds.

Mr Cronin—Yes; some departments have significant funds.

Senator CONROY—In your report, I also noted the actual tendering process that was engaged in. From recollection, I think you make the point that with the actual tendering process there was an initial set of—I do not think 'guidelines' is quite the right word—tender documents that were revised after the tender was put in the market. Is that right?

Mr Cronin—Additional criteria were introduced into the tender process and were used in the evaluation of the tenderers.

Senator CONROY—Was that before or after the actual tenders were received?

Mr Cronin—That occurred in the evaluation phase.

Senator CONROY—That would be a bit unusual, wouldn't it? You put the tender out in the market, you receive the tenders, and then you decide to upgrade or change the evaluation process.

Mr Cronin—It is good practice to have your tenderer criteria and that specified in advance through a tender evaluation plan. This did not always happen in the two agencies.

Senator CONROY—This would be in the department of finance again?

Mr Cronin—And in the Australian Customs Service. The Australian Customs Service probably had more in the nature of additional criteria that were introduced.

Senator CONROY—So you had a situation where the tendering process itself, in terms of the documents, was a shemuzzle; and it was changed after the tenders had been received.

Mr Cronin—There are often requirements—

Senator CONROY—If you change the evaluation process, isn't it good practice to go back out to the market and let people who have tendered know?

Mr Cronin—There often are—

Senator CONROY—They may want to tweak their tender application, based on the evaluation criteria. That would be good practice, I would have thought.

Mr Cronin—Yes; that is normal good practice.

Senator CONROY—Yet that did not happen in this case, did it?

Mr Cronin—No; but often the tenders are structured in such a way that the Commonwealth reserves significant rights to itself to work out how it will choose the winning tenderer.

Senator CONROY—That is fine. Choosing the winning tenderer is one thing; changing the evaluation process after you have already received the documents does not necessarily allow a fair go for the people who have tendered.

Mr Cronin—In the situation in which that occurs, it depends on how significant the changes are. Often legal advice is required to determine whether you should go back out to the shortlisted tenderers, or whether you can make—

Senator CONROY—Was legal advice sought in either of the cases, when they changed the evaluation process?

Mr Cronin—I cannot recall that being the case.

Senator CONROY—So it was a bit of a shemuzzle in the actual tendering process; the lowest cost did not win; T0 is different from T1; and they did not know about sweeping accounts. Overall, it was not an A-grade effort, was it?

Mr Cronin—I think, as we notice in here, we made some recommendations and findings that look to improve the process as it goes forward.

Senator CONROY—Would you say that it was flawed?

Mr McPhee—I think ‘suboptimal’ would probably be the way to put it, yes.

Senator CONROY—I will take ‘suboptimal’. I now want to ask you about foreign exchange risk management practices. I refer to one of your reports released in May 2000 that noted, on page 74, that almost \$3 billion of additional appropriations had been made to compensate the defence department for movements in the exchange rate. Do you recall that report?

Mr Cronin—Yes.

Senator CONROY—I understand that you recommended that Finance develop an overarching policy for the management of foreign exchange risk. Was that your recommendation?

Mr Cronin—That is right.

Senator CONROY—Can you explain what you mean by that overarching policy?

Mr Cronin—The Commonwealth has very substantial foreign exchange dealings across a whole range of agencies, both for the purchase of goods and services and, indeed, for financial transactions. The concept was that, if we had an overarching policy, we could exploit areas such as potential natural hedges and timing payments, where we could better manage our exposures to currencies and, overall, reduce the cost of Commonwealth funds. It is not unlike what would happen in major corporates. The concept was that the Commonwealth is an entity and that we could achieve savings through this mechanism.

Senator CONROY—Hopefully you have not been watching other people in estimates, but I think I actually put to Finance whether they had adopted your suggestion, and they gave a flat no—back in February. Can you just explain what you mean by ‘currency hedging’? Perhaps you can give a simple example. Do you think currency hedging is a prudent risk management tool, or is it gambling?

Mr Cronin—In the report, we did not actually say that you should hedge; we are on about managing your exposures and identifying what they are. Once you have identified them and worked out your associated risks, you may seek a number of options. If you have a natural hedge in place for a certain amount of it, you may seek to avail yourself of that; you may seek to take on the risk yourself; or you may seek to take coverage in the market. Some agencies do take coverage in the markets.

Senator CONROY—Do you think that foreign currency hedging is a common practice?

Mr Cronin—It is in the commercial sector, and some agencies participate in this. In fact, I think the department of finance has now moved to hedge its foreign transactions.

Senator CONROY—So you would not describe foreign currency hedging as gambling?

Mr Cronin—It is minimising your risk.

Senator CONROY—Minimising your risk?

Mr Cronin—Yes.

Senator CONROY—I understand that you recommended the government end the process of automatically appropriating additional money to departments who suffer foreign exchange losses, in order to encourage departments to better manage their foreign exchange risk. Could you explain that?

Mr Cronin—The concept of budget supplementation ensures that an agency does not suffer a detriment from movements in the foreign exchange. So, in a theoretical sense, if you were to buy a locally produced product, you would be exposed to price risk out here. If you buy an imported product, the price risk may be an insignificant component of the currency, and you are protected against that. The whole concept is of exposing agencies to the correct price signals, and currency is part of the price signal; and you need to manage that overall process. Indeed, that is why we thought that agencies should bear the totality of their exposures.

Senator CONROY—At estimates last February, I asked the department of finance whether any further appropriations had been necessary to compensate departments for foreign exchange movements. The answer received indicates that \$486 million of new funds had been appropriated to Defence since June 2000. I see from the Defence portfolio budget statement, on page 14, that a further \$351 million has been allocated in 2002-03. So the total losses due to foreign currency mismanagement now exceed \$3.8 billion, \$800 million of which have been incurred since your report was released two years ago. That \$800 million is well in excess of the entire cost of the war on terror, Senator Hill.

Senator Hill—Chairman, Senator Conroy is reaching a conclusion that suits at least his short-term interest that a decision of the Department of Defence not to gamble in the currency market is—

Senator CONROY—Are you answering a question? Are you accusing the department of finance of gambling? You have just heard that Finance hedge!

Senator Hill—incompetence; and I would respectfully suggest that it would be better for the Department of Defence to in fact stay out of areas in which it does not have expertise. That is the position of the government, and that is going to remain the position of the government.

Senator CONROY—So can I just clarify that then, Senator Hill? When you just heard from the Auditor-General that the department of finance have moved to hedging, are they gambling?

Senator Hill—I do not think that is for me to say, but what I can tell you is that the Department of Defence is not going to do it, because I do not think they would do it very well. The end result is probably that it would cost the taxpayer more. If Senator Conroy wants to have all these departments carrying out their own mini hedging operations, so be it; but I suspect the consequence to public funding would be one in the negative.

Senator CONROY—I did not actually realise that Senator Hill was going to be in the chair. I mean it is appropriate—

CHAIR—Well, I think those reflections in response to your reflections on the evidence thus far are fair.

Senator CONROY—I was halfway through a sentence then. I was just making the point that it is appropriate that Senator Hill be here as Minister for Defence. I was not anticipating it. But what Senator Hill's portfolio budget statement makes clear on page 14 is that there is a further \$351 million that has been allocated in 2002-03 to add to the \$486 million that Defence admitted to earlier this year in February. So that is \$800 million of a total \$3.8 billion that has been incurred since the Auditor-General recommended that the department undertake some form of risk management.

Senator Hill—Now that the dollar is going the other way, I am sure Senator Conroy will come back to the next estimates committee and say, 'What an enlightened management of the funds has been demonstrated by Defence. They have in fact made a profit.' We work on the basis of recognising that many of our contracts have to be written in American dollars, on a neither win nor lose basis. If the currency goes against us, then we are supplemented, if it goes in our favour, then we pay that difference to the public coffers. It is much better—

Senator CONROY—\$3.8 billion dollars is a lot of money to be pig-headed about.

Senator Hill—that we do that, in the view of this government, than if we start to run a mini forex operation.

Senator CONROY—AOFM are available. Your report released last Friday on internal budgeting indicated that, three years after the introduction of accrual based accounting, accrual based financial management practice had not been widely adopted by line managers. Why, in your view, is this the case?

Mr McPhee—It is difficult to speculate, and there are probably a range of reasons. I think one is that it is still days in the concept of accrual budgeting within agencies and getting their systems in place to get managers' budgets on accrual basis further down in the department, Senator Conroy. Part of it is a timing issue, but the other thing is that in some agencies they have obviously made the decision, in terms of the costs and the benefits, that it is not worth going to a detailed accrual budget level within groups or work groups of branches. They have made a sensible management decision to not do that.

Senator CONROY—Don't you feel you are being a bit charitable when you say 'early days'? It is three years into the process. What would be defined as middling days then—10 years?

Mr McPhee—No. I accept your point but I think most agencies have been focused at the agency level in being able to produce the portfolio budget statements, to get their financial statements in order; and some of the internal budgeting has taken a bit longer. The reason we did the report was basically that we felt it was timely to have a look at this issue and give it some fillip in terms of the improvement.

Senator CONROY—So you think by drawing attention to this that it may speed the process?

Mr McPhee—One of the benefits of our audits, which go across many agencies, is that most audit committees within agencies look at all of our reports and, even if it is not applicable to that particular agency, the audit committee will say, 'Well how do we stand?'

Give us some advice on how we stand against what the Audit Office would say would be a good practice model of internal budgeting.’ So it can have a stimulus effect, not only in the agencies we work in, but across the whole service.

Senator CONROY—Your report also notes that many line managers remain focused on cash expenditure issues.

Mr McPhee—Yes.

Senator CONROY—At what point do you think someone has to just say, ‘We are on accruals now, guys’?

Mr McPhee—Exactly. I think that there is that point. The other thing that we have to have regard to is that, with many of the transfer payments that the Commonwealth makes, the cash and the accrual figures are very close together. I think some judgments are being made that, in terms of the overall priorities the agencies have, they just have not put their resources into the internal budgeting. But we hope, as I say, that that will follow.

Senator CONROY—The report also notes that the continued reliance on cash measures had resulted in the development of separate reporting processes for cash and accrual based financial information and hence a duplication in costs. What needs to be done to avoid the duplication of reporting processes and the additional costs that are being incurred? It is early days. I put it to you that you are being a bit charitable. Taxpayers are now paying more money—

Mr McPhee—It is certainly time to review the practices and refine the reporting. Agencies are continually refining their financial reporting and their reporting in terms of performance indicators. So it is a criticism. Obviously there is duplication, which is costly. As I say, I do not want to be too charitable, but it is time now that agencies did focus on this issue.

Senator CONROY—In February we discussed the treatment of the GST and you indicated that you had obtained a legal opinion that the GST is a Commonwealth tax. Do you recall that conversation?

Mr McPhee—Yes, we had reference to some legal advice. Certainly our view is that the GST is a Commonwealth tax.

Senator CONROY—Are you in a position where you can provide the committee with a restatement of the Commonwealth revenue, with GST properly included as a Commonwealth tax?

Mr McPhee—In terms of the qualification of the accounts, we refer to the impact of the fact that the GST was not treated as a Commonwealth tax. We certainly refer to the aggregate differences and the impact.

Senator CONROY—Essentially, I am wondering whether you are able to put it all back together, because, without wanting to be unkind to Treasury, the numbers are all scattered around in an incomprehensible manner.

Mr McPhee—We have working papers which would articulate from the existing accounts to our position, which would support—

Senator CONROY—Would you be able to give us something—not your working papers—that adds it all back together so that we can see the sort of figure you are working from?

Mr McPhee—We can provide that.

Senator CONROY—Thank you very much.

Senator BRANDIS—Mr McPhee, I thought I might ask you about Centenary House. I venture to guess that you have the sort of information that I will be asking you about at your fingertips. What is the current rental being paid in this financial year by the Audit Office for Centenary House?

Mr McPhee—In the budget 2002-03, we expect to pay \$5.2 million.

Senator BRANDIS—Is that the rental including or excluding outgoings?

Mr McPhee—I think that is excluding outgoings.

Senator BRANDIS—How much is there in addition by way of outgoings?

Mr McPhee—If you do not mind, I will ask.

Senator BRANDIS—Could you have that checked, please?

Mr McPhee—Yes.

Senator BRANDIS—For what gross floor area is that?

Mr McPhee—The area is 6,297 square metres.

Senator BRANDIS—Does that include areas that are sublet by the ANAO to subtenants?

Mr McPhee—That is correct.

Senator BRANDIS—What is the gross floor area that is subtenanted?

Mr McPhee—We will see if we have got that in a moment, but it is the top floor of our building.

Mr Coleman—I think it is 1,678 square metres.

Senator BRANDIS—It is sublet?

Mr Coleman—It is subtenanted—that is correct.

Senator BRANDIS—Are you satisfied, Mr Coleman or any officer who is the appropriate respondent to this question, that the subtenancy achieves the best commercial rent available in the current market?

Mr McPhee—We are satisfied that it is the best that we can do at the moment. We currently receive \$290 a square metre.

Senator BRANDIS—\$290 per square metre per annum for the subtenancy. What price per square metre are you paying to your landlord for the headlease?

Mr McPhee—\$733 a square metre.

Senator BRANDIS—That increases again at the beginning of September, if my memory serves me?

Mr McPhee—That is correct.

Senator BRANDIS—Have you got a calculation there as to what it will increase to come September?

Mr McPhee—Yes: \$799.15.

Senator BRANDIS—So from September 2002, you or the taxpayer through your agency will be paying to the Australian Labor Party, through its controlled entity, rent of \$799 a

square metre in respect of premises which are worth \$290 a square metre in the current market?

Mr McPhee—That is correct.

Senator MURPHY—With regard to the report which you did on the Australian Taxation Office's administration of taxation rulings, when you deal with the area of product rulings do you actually talk to people outside of the tax office or government agencies? Do you talk to the people who have applied for or have been granted product rulings to get an understanding of whether the process is working efficiently and effectively?

Mr McPhee—I can certainly let you know who we spoke to. As a matter of general practice, we try to speak to stakeholder groups, so we would have talked to taxpayer associations and tax agents and the like. Whether we spoke to the specific end users of rulings, I would need to check and come back to you on that.

Senator MURPHY—I would appreciate that. Could you let me know how many you spoke to as well?

Mr McPhee—Indeed, we will do that.

Senator MURPHY—Only in the area of product rulings. Thank you.

Senator MURRAY—I am going to address some general questions to you and I do not think it is proper as chair to be asking questions unless they are relatively innocuous, so I will pass the chair to Senator Brandis. I have two areas of general questioning. The first relates to the way in which GST is counted. We have had a previous discussion—it may have been in the estimates committee, but certainly in other committees—as to whether GST is a Commonwealth tax or not. It is the view of the Auditor-General's department that it is?

Mr McPhee—Correct.

Senator MURRAY—Have you had a look at the latest budget with a view to how the GST is recorded there?

Mr McPhee—Not directly on that particular issue—I have obviously looked at the budget papers—but my understanding is that it is the same as in previous years: it is not treated as a Commonwealth revenue.

Senator MURRAY—In other words, the government is presenting the financial statements, insofar as they concern GST, in a different manner to that which you would.

Mr McPhee—Under Australian accounting standards, that is correct.

Senator MURRAY—If you were to be asked—at the moment this is a hypothetical question—to reframe the budget papers where the GST is concerned to show that GST is a Commonwealth tax, would that be an onerous task for the ANAO or would it be a relatively simple bit of scheduling and maths?

Mr McPhee—We would need to check. Obviously there are a range of impacts in terms of both the revenues and the expenses and also in terms of the balance sheet accounts, so it would not be a small task. Obviously the key agencies, Finance and Treasury, would be better placed, but we would have a fair idea of broadly the impacts.

Senator MURRAY—But, again, sticking with the hypothesis, and not a request at this stage, it would not be a major job in the way that an audit is a major job, would it?

Mr McPhee—No. We know the major aggregates. The question is where some of the other impacts fall. We may not have that level of detail but, in the broad, we certainly know the impact.

Senator MURRAY—So, in summary, if the Senate were to make a request to the Auditor-General's office to reconfigure the budget to reflect GST as a Commonwealth tax, you could do so?

Mr McPhee—It is a matter for the Auditor-General.

Senator MURRAY—If you accepted the request.

Mr McPhee—It is a matter for the Auditor-General as you would appreciate, but I think we could certainly illustrate the impact at the aggregate level without confirming exactly where every dollar falls. I think we could give a fairly good indication of the impact.

Senator MURRAY—For the record, as a strong supporter of the GST—which I am—I think the way it is being shown is a nonsense. We should have some consistency between your view and the government's view. I put that on the record. Moving to the second area that I wanted to ask you about, on page 53, in your overview, you said:

Performance audits of wholly owned GBEs may only be undertaken at the request of the responsible minister, the finance minister or the Joint Committee of Public Accounts and Audits.

How long has that been a fact? Is it since the new regime?

Mr McPhee—Since the new legislation.

Senator MURRAY—Within that time frame, have you ever been asked to undertake a performance audit of a wholly owned GBE by any of those people?

Mr McPhee—No.

Senator MURRAY—I assumed not, but would you know why?

Mr McPhee—The argument at the time for not giving the Auditor-General a full mandate to decide himself or herself was that the GBEs are subject to market competitive pressures. That should be sufficient to ensure their efficiency and effectiveness. That was what carried the day. It drove the policy position. If you follow that through, there would at least be an argument to say that the ministers and the committee and others have been comfortable that that has been carried through.

Senator MURRAY—Do you know offhand how many GBEs there are?

Mr McPhee—Roughly a dozen. There is a listing that we could provide the committee with.

Senator MURRAY—It is a very general question and may lose some of its meaning as a result, but I assume—because that provision is in the act—that both the government and you would regard there to be circumstances where it would be appropriate for performance audits of GBEs to occur, namely that the market assessment is inadequate.

Mr McPhee—I would agree with that. As you know, we get requests from ministers as well on a range of public sector agencies, so it is open to ministers to ask us to do a GBE performance audit.

Senator MURRAY—Or the Joint Committee of Public Accounts and Audit?

Mr McPhee—Yes.

Senator MURRAY—That is all I have.

Senator FORSHAW—I want to ask a couple of questions about a recent report that you issued into the Regional Assistance Program. I think it was issued fairly recently, wasn't it?

Mr McPhee—Yes. I do not have the report with me, but it would have been within the last month.

Senator FORSHAW—In particular, you reviewed the grants made under that section of RAP for projects of national significance. Do you recall what the general criteria are to describe a project as being of national significance?

Mr McPhee—I do not recall. I could certainly take that on notice.

Senator FORSHAW—In your report, which I have here, you identify four grants under that section: Oakdale Colliery received \$30,500, and the purpose of funding was for skills training for retrenched workers; Cyclone Rosita received \$25,525 for a post-cyclone advertising campaign; Visy Industries received \$5 million for skills training and infrastructure; and National Textiles received two amounts: \$1,835,000—and I understand that the purpose of that funding was purely for payment of employee entitlements—and a further amount of \$416,966, which apparently was reimbursed, and the stated purpose of that funding was for skills training. Do you recall that part of your report?

Mr McPhee—Yes, I do.

Senator FORSHAW—What was your finding? I have read the report. You make this statement:

The strength of the linkage between the reasons given and the guiding principles of RAP, which are intended to guide decisions, varies among the projects. For instance, the Visy proposal was supported by cost-benefit studies which linked directly to programme purposes; on the other hand, the support for National Textiles, largely in the form of payments for employee entitlements, which in the view of the ANAO, did not link as closely.

That is in your report. Could you elaborate a bit on how much linkage, or lack of linkage, there was?

Mr McPhee—For many programs there are criteria, specified either by government or agencies, that applicants have to meet. One of our enduring messages to all agencies is to ensure that you get a tight linkage between the objectives of the program, the criteria you are using and the assessment of the applicants. What we were saying in those particular projects of national significance was that there was some variation, at least in our view, of the linkage between the claims and the objectives of the programs. We held up the Visy example as a tight linkage, and I think we said the National Textiles one was less tight.

Senator FORSHAW—It would be better described as slack, wouldn't it?

Mr McPhee—That is not the word that was used, obviously.

Senator FORSHAW—I know it is not the word you used; I think you are being very polite. Isn't it correct that, whilst there are quite a lot of projects that get funded under RAP, there have only been a few with that aspect which goes to projects of national significance?

Mr McPhee—There have only been four, and these projects are decided by cabinet.

Senator FORSHAW—That is right, they are. One would expect, and you would expect, given the title of projects of national significance and the fact that they are to be approved by

the minister or the cabinet—and it is a fairly narrow sort of range here—that they would be at pains to demonstrate the linkage between the project and the criteria.

Mr McPhee—I think ministers would say that their role is obviously to take into account national interest considerations, and they are best placed to do that, and we would accept that. We were merely pointing out the better practice of getting the tightest link that you can between the objectives and the applications. At the end of the day, we accept that this was a matter for decision by government.

Senator FORSHAW—Your report says:

The Projects of National Significance component of the programme is intended to assist with a diverse range of situations (local economic crises, natural disasters or projects which are of national significance).

Where would you say this fitted in?

Mr McPhee—I do not have the detailed knowledge as to how much detail was provided in the application.

Senator FORSHAW—It was not a natural disaster, was it?

Mr McPhee—No.

Senator FORSHAW—It hardly sounds like a project of national significance.

Mr McPhee—It may have been considered by ministers to be that; I do not know.

Senator FORSHAW—There was no information or material you were able to audit that showed that it fitted into that? You did say that the Visy one did have a lot of information.

Mr McPhee—I just do not have at my fingertips what we were aware of. I think it was based on a submission; I just do not know. The query you are raising is along the lines that you would prefer to see a tighter linkage between those particular objectives and the application, and that is what we said as well.

Senator FORSHAW—But I think it goes a bit further. The question that arises is whether or not a particular scheme that has been established for some time, that is clearly intended for the objective that is in the title—Regional Assistance Program—not be used purely to fund employee entitlements. I would obviously like to see the employees get all of their entitlements, and we have been arguing that for some time, but the question is how that should be funded and whether or not this was an appropriate way to do it.

Mr McPhee—I certainly think that we did not have the support to say it was not an appropriate way to do it.

Senator FORSHAW—Would it be fair to say that the only item of national significance was the fact that the word ‘National’ was in the name of the company?

Mr McPhee—I think that may have been coincidental.

Senator FORSHAW—And it may have had some national significance because the person who owned the company was the brother of—

Senator ROBERT RAY—On a point of order: I do not think you can ask the official to answer that.

Senator FORSHAW—I will leave it at that then.

Mr McPhee—Thank you.

ACTING CHAIR—Are there any other general questions?

Senator ROBERT RAY—I have just one or two, I think. Recently, Special Minister of State Abetz announced he was abolishing a component that had been previously regarded as a right or a benefit under the gold pass system. In his announcement he referred either to the views of the audit office or to an audit report. I must admit that it escaped me. So if I have read your audit report I must have been guilty of reading the summary at the front, as some of us are on occasions, and not the whole thing. Can I have the background for that?

Mr Cronin—We commented in the Parliamentary Entitlements audit. The gold pass issue in that report, and the recommendations about it, were somewhat more limited—I have not got the report here with me—than what you have just outlined.

Senator ROBERT RAY—Were you basically saying, ‘Look, this has not been awarded by the Remuneration Tribunal?’

Mr Cronin—It came about through, I think, an act of a minister actually granting that.

Senator ROBERT RAY—But it is not a unique act.

Mr Cronin—No. In fact, there are arrangements where the minister has powers.

Senator ROBERT RAY—At about the same time your report had been properly critical of the House of Reps printing allowance for MPs.

Mr Cronin—We noted the wide variance between the House of Reps printing and that of the Senate.

Senator ROBERT RAY—If I can just put this proposition to you: the abolition of provision of a Commonwealth car or substitute transport, as I understand it, for former MPs who have qualified for the gold pass has saved \$200,000 a year and the regularisation of the House of Reps printing allowance allows up to \$17.5 million a year to be spent. An old saying my grandmother kept on telling me was ‘Penny wise, pound foolish.’ I do not think it is your fault, but it does not always help to regularise and cap an allowance, not when it comes out at \$17.5 million. You did your best though.

Mr McPhee—Thank you, Senator.

[3.35 p.m.]

ACTING CHAIR—As there are no further general questions, we will move to outcome 1, Improvement in public administration. Are there any questions under outcome 1? I will pass the chair to Senator Brandis, please, because I have some questions there. Page 59 has a table which refers to outcome 1 and outcome 2, and it shows a significant lift in the trends and appropriations for all outcomes for improvement in public administration, which I think focuses on performance audits.

Mr McPhee—That is correct.

Senator MURRAY—Does just reflect the greater demand for that kind of audit?

Mr McPhee—Yes, basically. I will check with Russell Coleman. There are two things going on here. We did reshape our outcome and output structure this year to simplify it, and there may be an element of that in it. I will ask Mr Coleman to address your question.

Mr Coleman—There is an element of that. We also simplified the relationship between our outputs and our outcomes. We had originally quite a complex one, and we simplified that.

I do not have at my fingertips the impact of those changes; but that would account for the majority of the differences between the two years.

Senator MURRAY—On pages 62 and 63—and it is a little confusing, I must say—is the effect of simplification and reordering of where resource allocations go. I suppose that is the same effect; nevertheless, I have the impression that the performance audit side is increasing in importance.

Mr McPhee—Certainly. In terms of numbers, there is no question that we are doing more performance audits than we ever have before. Five years ago we did around 30 straight performance audits a year. We now do 48 straight performance audits a year, and so we have ramped up the performance audit program.

Senator MURRAY—Is that more onerous, in both cost and people terms, than a financial assurance audit?

Mr McPhee—We still devote more resources to assurance audit, but there are more risks in the environment and the world is more complex, and so we are finding that we are spending more time on each individual performance audit on average as well. We are finding that our average cost is increasing because we have to do more and because senior managers within agencies are focusing more attention on our work. We think that is a positive thing, but it does take a little more time to get them through the system than it did a few years ago.

Senator MURRAY—My assumption, too—and you would know, from sitting on the other side of the table—is that the accountability process from the parliamentarians' side is more reactive and more interpretative on performance audits than on assurance audits.

Mr McPhee—Yes. The financial statement work, in particular, is providing assurance that the fundamental financial statements are in good shape. It is the performance audit program that tends to be higher profile and more sensitive.

Senator MURRAY—On page 64, I was surprised to see that you have a ratio of estimated financial benefits to the total cost of performance audit outputs of two to one. In my ignorance, I would have expected you to have a better ratio. Do I interpret that wrongly? Is that very conservative?

Mr McPhee—No; you are correct. This is a fairly conservative target. The figure is an indicator we use but we do not put it up in lights like some audit offices around the world do, because in some cases we can readily claim savings and in other cases it may be down more to the agencies to harvest the benefits. For instance, we had one example in the earlier part of this hearing where, in the banking audit, we found that these accounts were not being swept by the commercial banks back to the Commonwealth, and there was some interest forgone of—from memory—\$1.3 million. Our view would be that, had we not come along and done that audit, there was a good chance the Commonwealth would have missed out on the \$1.3 million; so we would say that is a legitimate claim on savings. We have a policy of only claiming those savings which we put in our report and which agencies subscribe to, basically. The figure is often many times that—two to one is a conservative target.

Senator MURRAY—But would you agree with my overall view that that is a modest ratio?

Mr McPhee—We do not have it as a primary focus to produce savings. I think we have to be careful to not skew our work directly to savings of that kind. The other thing is that, if we

get to a situation where we have to demonstrate exactly the level of savings, we could spend more time trying to do that than actually focusing on public administration more broadly.

Senator MURRAY—I would assume that, as government abilities or efficiencies improve, the ratio will narrow because it is moving more and more to best practice. But for as long as it is not best practice you can expect, in some cases, the ratio to be very high.

Mr McPhee—Yes; we would like to think we could reduce that margin, but I think it will be a little while yet.

Mr Coleman—Just as a matter of interest, in last year's annual report we track this figure and it does vary quite a bit. In 1999-2000 the figure was \$2.2 million. In 2000-01 we were claiming a recurring benefit of \$85 million. You could add to that some one-off types of savings of more than that—\$75 million, \$3 million et cetera. So it does vary from year to year, and it varies considerably depending on the types of audits that are undertaken in any one year.

Senator MURRAY—I do not intend to do it here, but I would note that those types of claims are tested by the JCPAA anyway, who test whether you have actually produced the outcomes you ask for. I will move on to the financial statements in table 3.2 on page 68 and a question I have asked of a few other agencies within the broad portfolio of PM&C. It relates to the provisions and payables under liabilities for employees. Your note 9 says that:

Employee provisions and payables consist of Annual leave, Long Service Leave, Superannuation and Other employee related liabilities.

This is consistent with what has been said by other agencies. I am interested to know whether you are watching the area of leave and whether you have a profile of leave taken and of serial non-leave takers. I should explain that I am interested both from a physical and mental health aspect and a belief I have that people should take at least two consecutive weeks of leave. I see it as having both a financial component to entitlements not taken up in time and a human component. I would really like to ask you on notice whether you could provide the committee with a profile and whether you feel the area is well managed or whether it is at any risk of entitlements not being taken up when they should be.

Mr McPhee—Certainly, we can provide that. But, as a general comment, in our last certified agreement we deliberately wanted to manage our employee liabilities. So we have gone to a system where the most people can carry over is 10 weeks leave and it requires the approval—

Senator MURRAY—Ten weeks annual leave?

Mr McPhee—Ten weeks accumulated annual leave. In many agencies, it would be much more than that. I would be surprised if we had anyone with leave of more than 10 weeks. We provided the option for people to cash out any excess at the start of the agreement. We have put in quite a tight regime, which tells people that they must take their leave.

Senator MURRAY—I would like you to frame your answer in as liberal a way as you can. What I am interested in is whether there are particular cohorts who did not take leave, for reasons you might or might not know of. I want to see what the demographic is and to understand it from a policy point of view. Ten weeks still seems excessive to me, but let us see how it works.

Mr McPhee—It would certainly be the case that longstanding public servants in many agencies would have much more than 10 weeks leave.

Senator MURRAY—If you went across the books of the whole of government, I think it would add very considerably to our contingent liability.

Mr McPhee—Absolutely.

Senator MURRAY—That is both a financial and human risk. I do not think many people have their eye on it. I may be wrong, but you would know better than I. The last item I want to pick up is a note at page 76, and that is in the capital usage charge. At previous estimates I have asked about the capital usage charge. This time, I have not asked agencies, but I would like to ask you. What is your view of the nominated rate of 11 per cent? Do you feel it matters? Is it fair? Is it usurious? Is it irrelevant? As you know, there is some controversy in some areas, but others do not care.

Mr McPhee—If I were to wear my agency hat rather than my audit hat to answer that question—

Senator MURRAY—I would like an agency response.

Mr McPhee—I do not think it really encourages us to manage our capital better or worse than if it were not there. I think it was a valid attempt by Finance to encourage better management of capital assets, but the Audit Office's reaction to that is that we have stronger drivers to manage our capital and assets than this capital asset charge.

Senator MURRAY—Such as what?

Mr McPhee—In terms of our assets, we strike a charge-out rate. If we incur costs on equipment unnecessarily, that flows through to our charge-out rate. In our place, the fee rate we strike is a very important discipline in our managing our costs and the hours we deliver on audit services. For us, that is the big focus. If we want to go out and spend money on equipment, for instance, we know that the depreciation for that will flow into our cost line, and we have to recover that through our product hours. In our case, that is a stronger driver than this.

Senator MURRAY—Speaking as an agency, do you intend to approach the finance department to reconsider this area as a more effective motivator, or isn't the game worth a candle and doesn't it matter?

Mr McPhee—I think Finance, to their credit, have undertaken a review of this area. I am not sure what the outcome is. Obviously the outcome is that the capital user charge is still in place, but I think it is questionable whether it has achieved the behaviour. It might achieve a return to the budget, and that might be sufficient to allow the policy to continue; but I was responding in terms of our behaviour. It does not really influence us.

Senator MURRAY—That was my interest. This is just somebody's pet project. It needs to be a motivator. I am not convinced that it is, and you have confirmed that.

Mr McPhee—One of the biggest issues in public sector administration is how you get the incentives right to get the right sort of behaviour. It is a question that many people have faced for many years. I think this is an attempt to do the same. From our point of view, it does not provide that incentive.

ACTING CHAIR—Thank you, Senator Murray. As there are no further questions for the Audit Office, I will pass the chair back to you, Senator Murray.

ACTING CHAIR (Senator Murray)—Thank you, Senator Brandis. Minister, we will call the Inspector-General of Intelligence and Security, Mr Blick, first and then we will go back to the Ombudsman.

[3.50 p.m.]

Office of the Inspector-General of Intelligence and Security

ACTING CHAIR—Mr Blick, do you have an opening statement to make to the committee?

Mr Blick—No, thank you.

Senator FAULKNER—Mr Blick, apologies for dragging you before us in a jet-lagged state.

Mr Blick—I am delighted to be here.

Senator FAULKNER—I am sure you do not mean that.

Senator ROBERT RAY—Can't you just imagine the excitement of him flying back thinking, 'I'm going to the estimates committee'!

Senator FAULKNER—I do find it hard to imagine that, actually. Is it true, Mr Blick, that you gave Senator Hill a copy of your draft report in relation to DSD and the MV *Tampa* on about 12 April?

Mr Blick—I cannot answer for the date, but I would have done, yes. I am required to under the legislation.

Senator FAULKNER—Is it common practice for you to provide the minister with a draft?

Mr Blick—It is a specific legislative requirement that I do so.

Senator FAULKNER—I might be wrong about this—it is a long time since I have looked at it—but I thought the act was about giving the head of the agency a draft.

Mr Blick—There are two aspects in the legislation. Unfortunately, I have not got a copy in front of me either. The head of the agency gets a copy of the draft report by right. If there is any matter in the proposed final report, if I can put it that way, where I am likely to be critical of an agency, I am required to give the minister the opportunity to discuss it with me. Therefore, it is common practice to provide the minister with a copy of the draft.

Senator FAULKNER—But what about the timing of the two drafts? Can that be contemporaneous?

Mr Blick—I cannot think of any reason why it need not be. It would depend very much on the circumstances of the case, I would think, but one would normally—and I think I would have done it in this case, but I would need to refresh my memory—first provide the agency head with a draft report and give the agency head the opportunity to comment on that. At that point one would know whether it was likely that in any final report there were going to be matters that were still critical of the agency, and at that point it would be sensible to be consulting the minister rather than doing it the other way around or doing them simultaneously.

Senator FAULKNER—Are you able to say to the committee how many DSD officers were involved in the breaches?

Mr Blick—I cannot put a figure on it. Again, I would need to refresh my memory, but I think the number of DSD officers whom I asked to give me statutory declarations and who would have been likely to have been involved in these matters—but who would not necessarily have been involved—ran into the tens. But there are good reasons why I would not want to be more specific than that, too, relating to the protection of information about their operations.

Senator FAULKNER—I am surprised that the numbers would be of concern. It is in the tens, sure; but you are able to—

Mr Blick—I believe there is a legitimate concern about revealing the actual number.

Senator FAULKNER—You are of course able to say what the number of breaches was.

Mr Blick—That is in the public domain.

Senator FAULKNER—But you are not willing to go beyond saying that the number of DSD officers was in the tens.

Mr Blick—Can I just clarify that? I was not saying that the number of DSD officers necessarily involved in the breaches was in the tens. The number of officers who provided statutory declarations was in the tens, and that related to areas of operations of DSD that could possibly have been involved in such activity; but I cannot say to you that the specific number was in the tens, because that would be incorrect.

Senator FAULKNER—Are you able to say whether any action was taken against any officer in a disciplinary sense?

Mr Blick—In a formal disciplinary sense, no. It is my belief that there was not. You could obviously ask DSD about that. However, measures were taken, as I said, to prevent a recurrence and there has been a lot of advice—I would hesitate to use the word ‘counselling’—provided to people in the relevant areas to try to ensure that they do not make those sorts of mistakes in the future.

Senator FAULKNER—What about monitoring that?

Mr Blick—That is something that I will be doing in the course of my ongoing activities.

Senator FAULKNER—You have made those recommendations. I would have thought the follow-through and monitoring of them would be fairly important, given that in your report you place importance on that outcome. I think that is fair to say, isn't it?

Mr Blick—It is. Indeed, it goes beyond monitoring. My office and I are in fact going to be involved in the training as it goes on—not only in developing the training programs but also in the training programs themselves.

Senator FAULKNER—Has that work commenced for your office yet?

Mr Blick—The development of the programs has begun, but the actual involvement in training sessions has not. But I expect it will not be much longer.

Senator FAULKNER—One of the issues that does arise here is the effectiveness of the review of intelligence agencies. I only ask that from the point of view of the notoriety around this issue that occurred, rightly or wrongly, as a result of the *Daily Telegraph* article, which was the best part of five months after the event. Have you given any thought to that?

Mr Blick—I am sorry, but I am not quite sure I understand what you are getting at.

Senator FAULKNER—Is it fair to say that this issue becomes public as a result of the *Daily Telegraph* article?

Mr Blick—That and other newspapers carried the original report; yes.

Senator FAULKNER—Is it fair to say that your office takes action as result of that publicity?

Mr Blick—Yes; I think that is a fair way of putting it.

Senator FAULKNER—Is it a fair or unfair conclusion to draw that perhaps some of the action that was taken would not have been taken, if articles had not been published in the newspaper—or, alternatively, may not have been undertaken as quickly, if the article had not been published in the newspaper? It may not have been clear, Mr Blick, but—

Mr Blick—I understand what you are getting at now. I think the point is, if I may say so, that there was no truth in the report in the newspaper. My inquiry ascertained that there was no truth in the report in the newspaper. Clearly, therefore, one would not have been conducting an inquiry in the absence of those sorts of allegations.

Senator ROBERT RAY—But, as a consequence of the inquiry, you turned up other things.

Mr Blick—That is correct, yes.

Senator FAULKNER—From my recollection, in your public report you did talk about procedural issues, didn't you?

Mr Blick—Yes.

Senator FAULKNER—And those procedural issues really go to your office as well—or perhaps exclusively to your office—don't they?

Mr Blick—Not exclusively, but certainly to the kind of monitoring that we were doing. As I explained in the report, we had been operating on the basis that it was sensible to use a sampling approach on the one hand from our office and, secondly, to visit DSD and examine their records, as they are required to produce to us on a regular basis. As a result of this, it became evident that the sampling approach was not necessarily picking up, and could not even be guaranteed to pick up, an individual report that should not have been produced.

Senator FAULKNER—You could have missed reporting errors, effectively.

Mr Blick—Yes. As I said in the thing, it was fortuitous, in a sense, that we picked up the one that we did at the time. We therefore have made changes to procedures, which at least in theory should prevent us from missing things in future.

Senator FAULKNER—I do not desire to question you any further on this, Mr Blick, because I have been able to ask you a range of questions at another briefing, which was supplied to myself and the Leader of the Opposition. One has to be careful in these things. I do not think I have crossed the line, have I?

Mr Blick—No.

Senator ROBERT RAY—Not yet.

Senator FAULKNER—Not yet. So this is a good time to quit, I think.

Senator ROBERT RAY—Mr Blick, you have attended a conference and obviously had bilaterals overseas.

Mr Blick—Yes.

Senator ROBERT RAY—Since September 11, there would have been, I would have thought, a lot more tougher legislation introduced in like-minded democracies to Australia, and we are about to go through that process in one form or another. We cannot quite contemplate what it will be yet. Were you able to establish what protections, countermeasures, if you like, or additional oversights have been put in overseas? Were you able to gain some experience in that area through this visit?

Mr Blick—Not a lot, no. It is true to say that there is a lot of this legislation being enacted in other countries. It is also true to say that, just as we—assuming the legislation we have now got in the parliament goes through in the form that it is now drafted—will be grappling with oversight in the coming months, with perhaps changes to our procedures, so are the oversight bodies in these other countries grappling with them. It is, in a sense, early days for the whole of the oversight in this area. It may be that it will take a year or two to work through.

Senator ROBERT RAY—The oversight conference in London: did you regard that as a valuable exercise?

Mr Blick—It was a very valuable exercise. I should say, though, in relation to September 11, it was not a matter that was on the agenda, and I think there was a feeling that it was too early, in a sense, to discuss the oversight issues in relation to September 11. I did obviously have discussions at the margins with people.

Senator ROBERT RAY—Is that an annual event?

Mr Blick—It is every two years, and the next one looks as though it will be held in Washington.

Senator ROBERT RAY—In two years time. I am not seeking details, but where is the matter of—how could I phrase this?—‘ASIO versus the Police Board’, although I am sure that is not the way we refer to it. Where is that exactly now?

Mr Blick—Is this the issue of ASIO—

Senator ROBERT RAY—Security vetting for an applicant for a police job in New South Wales. I have not followed the issue heavily, and I do not want details of it.

Mr Blick—That is all right. There have been reports in the newspapers recently about ASIO providing information about a career of a former ASIO officer to the New South Wales Police.

Senator ROBERT RAY—That is the issue. I am wondering where it is at.

Mr Blick—Where it is at is that the complainants in my office received a final report of the report that I had done to the Director-General. The report that I had done to the Director-General recommended that the Director-General write to the Commissioner of the New South Wales Police and to the Commissioner of the Police Integrity Commission, in effect correcting any wrong impressions that might have been received from these contacts with former ASIO officers. I also recommended that the Director-General refer the matter to the AFP for investigation, and he has agreed to all those recommendations. I understand that he has either written or is about to write those letters.

Senator ROBERT RAY—That answers the question, thank you.

Senator FAULKNER—I saw some press coverage of an investigation—I do not know its status, and that is what I am going to ask you about—of a Mr James Ritchie.

Mr Blick—Unfortunately, I do not believe it is appropriate to disclose the names of individual complainants.

Senator FAULKNER—I am not asking you the complainant; that was in the newspaper.

Mr Blick—A lot of things appear in newspaper.

Senator FAULKNER—Of course. I was going to ask you a process issue about whether you had completed your work in this regard. Given the amount of press coverage of it, I do not think we ought to be too cute about it. But if you prefer not to, I am happy to accede.

Mr Blick—I perhaps do sound as though I am being cute but, without confirming that I have had a complaint from an individual, I think I can say, as I said to Senator Ray in relation to the same matter, that the thing is complete; and I have provided a report to the Director-General.

Senator FAULKNER—I am happy to accept that. Can I just quote this newspaper article to you?

Mr Blick—Sure.

Senator FAULKNER—This is the *Australian* on 23 January 2002—you have probably seen it.

Mr Blick—I have, yes.

Senator FAULKNER—It is headed ‘Leak claims spark ASIO inquiry’.

Mr Blick—Yes.

Senator FAULKNER—It states:

ASIO is under formal investigation for breaching its own act over claims its officers leaked damning information about a former spy to the most senior ranks of the New South Wales Police Force.

Mr Blick—This is the issue that Senator Ray has just been asking me about. As I have said, I have completed the inquiry, I have provided a report to the Director-General, and he has agreed to comply with my recommendations, which include writing letters to the Commissioner of the New South Wales police, correcting any implications that were adverse to the person concerned and to the Police Integrity Commission, likewise, and to the Commissioner of the AFP, asking him to have the matter investigated.

Senator FAULKNER—I will not continue to read the story, but you have read it. Have you taken any action as a result of the publication of this newspaper article?

Mr Blick—I am sorry; action of what kind?

Senator FAULKNER—Any action. Given that this newspaper article talks at significant length about your internal processes—you were offended at me mentioning it—I wonder whether you have taken any action in relation to the newspaper article itself. But I am happy to accept your rebuke.

Mr Blick—I am not rebuking you; I am simply saying I am not sure what action I could have taken.

Senator ROBERT RAY—I do not want to verbal you here, but you are saying that you are happy to respond on the generality of the thing without actually identifying an individual’s name. I think that is the position you have established.

Mr Blick—I would say that I adopt a practice that, if people want to go to the newspapers and say that they have complained to me, that is their business. Under my legislation, in effect, I am required not to reveal information about an individual complaint.

Senator ROBERT RAY—But what Senator Faulkner wants to know is: in terms of this article and analysis of it, are you clear in your own mind that this information does not come from your own organisation instead of the complainant?

Senator FAULKNER—That is where I was trying to get to.

Mr Blick—I am sorry; I have been very slow in picking up what you are getting at.

Senator FAULKNER—I was going to go to the third paragraph, which says:

Inspector-General of Intelligence and Security Bill Blick has advised Attorney-General Daryl Williams he is conducting a rare full inquiry ...

And off it goes.

Mr Blick—I have every reason to believe that I know who the informant in that case was, and it was not an official of the Commonwealth.

Senator FAULKNER—And that is where the matter lies?

Mr Blick—If I provide information to a complainant, which a complainant then chooses to bring to the attention of the newspapers, then there is no reason in the world why they should not do so, if that is what they want to do.

Senator ROBERT RAY—In other words, the words in the newspaper have some resonance to you.

Mr Blick—Exactly, yes.

Senator FAULKNER—Then I go back to my original comment: I do not feel as though I should worry about being too cute about it. So that completes the circle.

Senator FORSHAW—In the first part of a written answer, provided by Minister Hill to a question from Senator Evans on 13 March, it states:

Section 8(1)(a)(i) of the Intelligence Services Act 2001 (ISA) requires DSD to obtain an authorisation under section 9 before undertaking an activity, or series of activities for the specific purpose, or for purposes which include the specific purpose, of producing intelligence on an Australian person who is overseas. The Act did not specifically apply the same protection to Australians in Australia.

As I understand it, that means that there is no restriction on DSD's ability to intercept or collect intelligence on communications between Australians in Australia and non-nationals overseas.

Mr Blick—That is not correct, unfortunately. What I presume was also in the answer was the fact that the minister has made a direction under the act requiring DSD—

Senator FORSHAW—I am aware of that and I want to come to the direction in a moment, but that was certainly the position before that direction.

Senator Hill—So the consequences are the same in both instances.

Senator FORSHAW—But, prior to the Labor Party raising this issue and the breaches by the DSD of the privacy rules, wasn't the government insisting that the old and new rules were virtually identical?

Senator Hill—Are they virtually identical? I have said that they are similar. You can argue that the new legislation can be improved on this particular issue, but there was a way to cure what some might see as an inadvertent defect without the need to resort to legislative amendment—and that is what we did. As I recall it, we did that before the issue was raised by the Labor Party.

Senator FORSHAW—The second part of your answer goes to this direction, to ensure that the privacy of Australians was properly protected, irrespective of whether they are overseas or in Australia. Your predecessor issued a direction to the director of DSD, directing DSD to obtain an authorisation before undertaking any such activities in relation to Australians within Australia. Doesn't that tell me that there was, in effect, a loophole which then had to be addressed?

Senator Hill—You can argue that. If there was, that is a reflection on all of us.

Senator FORSHAW—I am just asking you whether that is the case or not.

Senator Hill—I am answering you. I have said that you can argue it that way but, by taking a fairly simple course of action in terms of the new legislation, you can overcome that particular difficulty. The end result is that in both instances the person overseas or in Australia is the same in terms of ministerial authority and that requirement through ministerial authority in some circumstances exceeds what was required under the old rule. So if you believe that that is a safeguard, the legislative structure that currently exists offers additional safeguards to what existed under the previous rules.

Senator FORSHAW—You said in the first part that the act did not specifically apply the same protection to Australians in Australia. Mr Blick, when did you first become aware of this loophole, if I can call it that, in the act?

Mr Blick—I am not sure of the date, but my recollection—which again would need to be checked—is that the ministerial direction you are referring to was made on the day the act came into operation or on the day before. So there was never a gap, if you like, between the coming into operation of the legislation and the coming into operation of that authorisation. So in effect there was never a loophole.

Senator FORSHAW—Has anything been done or is anything contemplated to be done to make it clearer in the act?

Senator Hill—I do not see any need to amend that legislation because, if you argue that there is a deficiency, the deficiency has been otherwise overcome. You may say to me that is somewhat inelegant—

Senator FORSHAW—I am reading your answer.

Senator Hill—I have tried to be helpful in the answer—and the answer says that any deficiency has been overcome.

Senator FORSHAW—But you could argue—

Senator Hill—I am saying to you I am acceding that you could argue that is somewhat inelegant and it might have been better if the parliament had passed legislation in a slightly different form. When it comes to a more general review of the act, I think that can be looked at again. But I do not see that there is a need for a one-off amendment.

Senator ROBERT RAY—This legislation did get a very broad airing; it was looked at by a parliamentary committee. In spite of all that—and I take responsibility for it too—a small

error appears at the other end. I just wonder why at one stage you produced five security bills, told us we had to make up our minds on them within 15 to 16 hours and slammed them through the House of Representatives. A lot more errors like this will appear, won't they, if that is the behaviour of your government?

Senator Hill—It depends on how well it has been drafted, I would say.

Senator ROBERT RAY—Absolute crap was the drafting of them, as you are finding out in your own party room, thank goodness.

Senator Hill—Well, I do not know. You could argue that despite the intensive scrutiny of the parliamentary process, we still find shortcomings in the final product.

Senator FAULKNER—The Black Hand group are leading a rearguard action, Senator Hill.

Senator Hill—I am a believer of the legislative process. I think more often than not we improve the drafting.

Senator ROBERT RAY—We share that. I am just not a believer in the current drafting process; I think it leaves a lot to be desired.

Senator FORSHAW—Don't you think it is important, Minister—particularly given the circumstances that occurred, where the act or the direction was breached—that this be spelt out in the legislation itself? The legislation deals with it in part, but not totally. It does not cover the communications between people in Australia and people overseas.

Senator Hill—I have said to you already that, from the consequences, it is not necessary—the requirement is now the same. But I have conceded that the drafting is a touch inelegant, and perhaps when it comes to a more general review of the legislation it might be amended to read better.

Senator FORSHAW—The direction that was issued by your predecessor, Mr Reith—as you say, Mr Blick, and as it says here—took effect with the date of the introduction of the act, which I presume was some time in 2001.

Senator Hill—It was right at the end, wasn't it?

Mr Blick—October.

Senator FORSHAW—That direction was issued prior to the events of last year, of course.

Mr Blick—No, that is not the case.

Senator FORSHAW—I am sorry, it was after.

Mr Blick—Yes, that is right. And at that time there was no requirement for ministerial authorisation.

Senator FORSHAW—What date was that direction actually issued?

Mr Blick—Again, my memory is—

Senator Hill—It is a public document.

Mr Blick—It is public, yes.

Senator Hill—It is a direction published under the legislation. I think it was some time in October. It was around that period, anyway.

Senator ROBERT RAY—We should not get hung up on this too far because, in fact, you have got a lot of this stuff in legislation where you have never had it before.

Senator Hill—That is the point I was making. I started by being asked about similarities between the two sets of rules, and I said that while there are similarities, there are differences. One is that there is now a requirement of greater ministerial intervention in approving an interception than there was under the previous rules.

Senator FAULKNER—Mr Blick, I am going to the issue so sensitively dealt with by Senator Ray and so insensitively dealt with by me. I have always wanted to be able to say that.

Senator ROBERT RAY—Just within kicking range!

Senator Hill—It is in *Hansard* forever.

Senator FAULKNER—Mr Blick, are you aware of the article in the *Australian* newspaper of 23 January 2002 entitled ‘Leak claims spark ASIO inquiry’?

Mr Blick—I do remember it.

Senator FAULKNER—Are you aware of the article in the *Australian* newspaper on 25 January 2002 entitled ‘The whistleblower, the police chief and the spying game’?

Mr Blick—I think I recall that. There have been a number of such articles.

Senator FAULKNER—And the one from the *Australian* newspaper on 1 February 2002 entitled ‘Top spy to question police chief’?

Mr Blick—Yes, I do remember that one.

Senator FAULKNER—And the one in the *Australian* newspaper very recently—24 May this year—entitled ‘Spies may face charges’?

Mr Blick—Yes.

Senator FAULKNER—You were probably overseas when that was published, weren’t you?

Mr Blick—Yes, I think I was.

Senator FAULKNER—Do you realise that your name actually appears in all those articles?

Mr Blick—You have refreshed my memory.

Senator FAULKNER—I could be assured that no-one from your office was responsible for seeing any of that information in the public arena?

Mr Blick—As I said to you, I believe that I know who the source of those articles was. That person is not a Commonwealth officer—apart from a career in a Commonwealth organisation some time ago—and has not been for a very long time.

Senator FAULKNER—I am relieved to hear that. On another matter, have you in terms of your work responsibilities had any role in relation to the joint people-smuggling strike team?

Mr Blick—I am not sure that I know what ‘the joint people-smuggling strike team’ is or was.

Senator FAULKNER—If you do not know, you clearly have not had a role.

Mr Blick—I would think that is the answer, yes. I am not aware of any involvement with a body of that nature.

Senator FAULKNER—I wondered whether, in the conduct of your and your office's responsibility—that is, in terms of your oversight role—you had any role in the joint people-smuggling strike force.

Mr Blick—I cannot think of any. It is possible, I suppose, depending on the functions of the team you are talking about, but I am not conscious of it.

Senator FAULKNER—Minister, in relation to the directive of 28 October that you and Senator Forshaw spoke about, didn't you say that it was a public document?

Senator Hill—That is my recollection.

Senator FAULKNER—I do not think that is right.

Senator Hill—Isn't it? I might be wrong.

Senator FAULKNER—You have misled the committee.

Senator Hill—If I have, I regret it. I will say that I am sorry.

Senator ROBERT RAY—You could make up for it by making it public.

Senator FAULKNER—Isn't this the document that you have refused steadfastly to release, even though you have announced willy-nilly today that it is a public document to try to see if you could deflect Senator Forshaw's line of questioning. I do think you have misled the committee, but you can make it right, as Senator Ray has suggested, by now releasing the material.

Senator Hill—I will look at the matter. I may have been confusing it with the rules which were made public, obviously. They were made under the act. Mr Blick thinks the direction was not made public, and he is probably right. The content of the direction is public because we have said it on a number of occasions, including in answer to that question.

Senator FAULKNER—Mr Blick, are you satisfied that the agencies over which you have oversight and which may have a role in encountering people smuggling are operating within the law?

Mr Blick—I have no reason to believe that they are not operating within the law. I have seen no evidence of breaches of the law.

Senator ROBERT RAY—What sort of broader committees are any of these agencies involved in that you know of? Are they involved in task forces?

Mr Blick—I am speculating. I would imagine that there would be task forces which the agencies would participate in because part of the functions of some of them do include functions in relation to people smuggling.

Senator FAULKNER—I am surprised that that would be a matter for speculation for you. Wouldn't you be able to be a little more certain about the answer to Senator Ray's question?

Mr Blick—I guess I am being speculative because I cannot readily think of any individual task force that the agencies are on or not on. That is simply a reflection of the fact that I do not deal in that operational area as a matter of routine. I examine the individual actions of the agencies by looking at their operations individually, so I have not hitherto taken a specific interest in their attendance at meetings and talking about policies in relation to these matters. It does not mean that I would not if I felt it was necessary.

CHAIR—Are there any further general questions of the Inspector-General?

Senator ROBERT RAY—We are doing general and specific at the same time. None from me.

Senator FAULKNER—Mr Blick is jet-lagged, and I think we should let him go as soon as possible.

CHAIR—Mr Blick, thanks for coming along, particularly in a jet-lagged state.

Proceedings suspended from 4.31 p.m. to 4.47 p.m.

Office of the Commonwealth Ombudsman

CHAIR—Welcome, Mr McLeod, the Commonwealth Ombudsman. I call on general questions from the committee.

Senator ROBERT RAY—I have one question. Have you looked at the provisions in the proposed ASIO legislation as they affect the Ombudsman's office?

Mr McLeod—Only in a very general sense.

Senator ROBERT RAY—You do not have a big enough role for us to call you before the joint intelligence committee, but I want to ask you this question in relation to it because I asked IGIS the same question in another venue. What happens when a complaint is made? Do you believe you have the power to intervene and deal with a complaint on the spot or is it something that is dealt with in an almost retrospective way? That is, as it currently exists someone can be taken off the street, have no legal representation, no rights against self-incrimination, their only real right to complain is either about the action of ASIS officers, which is to IGIS, or the actions of the federal police, which is to you. That is right, is it not?

Mr McLeod—That is correct.

Senator ROBERT RAY—How do you regard your ability, if a complaint is made, even before the prescribed officer starts the interrogation, as to what rights or duties you have?

Mr McLeod—I think if we had a complaint of that nature and it affected the actions of the Australian Federal Police, I would have to make a judgment, as I do when I receive all complaints, that the matter is within the jurisdiction, that the matter is of sufficient moment that I should intervene and examine the matter. I would normally seek to satisfy myself that there is some prima facie basis for concern about the actions of an agency. Normally, we would also satisfy ourselves that it is appropriate to intervene at that stage, rather than to suggest to the complainant, if they have not already done so, that they should take their concerns up with the agency concerned in the first instance. We generally see our office as an office of last resort and this comment would also include the police. The police have their internal investigations units and members of the public who feel aggrieved at the way in which they have been dealt with by a law enforcement agency do have the capacity to lodge a formal complaint with the police's own internal investigations area.

Senator ROBERT RAY—Not under this legislation they do not. You are the only resort in terms of the federal police having misused their powers in relation to this.

Mr McLeod—I would think, and I stand to be corrected on this, a person who is being investigated by a matter that is covered by that legislation—

Senator ROBERT RAY—I am sorry can we not use the word 'investigated'—persons are not being investigated; they are being detained and interrogated.

Mr McLeod—A person who has been detained and is being interrogated, who feels they are being dealt with inappropriately, would—at least in theory—be able to lodge a concern about that with the agency that is dealing with them. Maybe we are talking about fresh ground here in the sense that the type of environment that we are speculating about really is only being proposed. It may seem a fairly impractical course to suggest that a person in those circumstances has got a right to seek review of the actions of the Federal Police to the police itself.

Senator ROBERT RAY—I just raise it because within the proposed act is a requirement that they be informed that they may complain either to IGIS or the Ombudsman. The IGIS says that, in most instances, he is going to try to attend the hearings of every prescribed authority. We do not anticipate this as much but I would have thought there was far more limited scope for complaint regarding a Federal Police action because all they are doing is serving the warrant, if you like, and detaining people ready to be handed over to the prescribed authority.

Mr McLeod—That is correct.

Senator ROBERT RAY—Thank you for that.

Senator MURPHY—I just want to ask questions about the compensation for detriment caused by a defective administration scheme. In your 2000-2001 report—page 40—with regard to the operation of the scheme, you raised some criticism of it and you say that the ATO agreed to handle compensation claims differently where we sought a ‘watching brief’. Can you tell me how the ‘watching brief’ has worked. You are probably aware I have an interest in at least one particular matter. You say this process has proved useful in providing an opportunity for us to build our understanding of how such claims are handled. What was the ‘watching brief’ supposed to do other than get the tax office to share their initial views with you.

Mr McLeod—Essentially, it was that. It was an arrangement that we agreed with the Taxation Office which allowed us to have the benefit of being consulted by the Australian Taxation Office when it was considering a claim under that scheme but before they finalised their decision, which enabled us then to run our eye over the issue, to inform ourselves about the nature of the claim and the way in which the Australian Tax Office proposed to respond. So if we had any concerns about the manner in which the tax office was proposing to respond it did provide us with an opportunity to debate the issue with the tax office before they finally took a decision. In putting that process in place, we were relying on the fact that we can be influential in certain situations in encouraging an agency to a particular point of view different from the one that they had formed themselves. We also felt that it was an additional protection for a complainant that an independent review body, such as my office, would be able to have some input into the process before the tax office reached its own view.

Senator MURPHY—I did ring the Ombudsman’s office, and I spoke to one of the officers there, Ms Tyler. I asked a question about how many claims for compensation had been made to the Australian Taxation Office. Mr Moss has responded to that, and he says in his letter to me that:

I have asked for the numbers of complaints we had received regarding the Australian Taxation Office’s handling of compensation requests for the past financial and the current financial year to date.

The figures are 15 for 2000-01 and 31 for 2001-002. Are they just complaints, or are they actual applications made?

Mr McLeod—I understand that they are matters that raise the question of whether or not it is appropriate to pay compensation. Whether, in all cases, the matter arose out of a specific claim for compensation on the part of a complainant or whether they were complaints about an action of the ATO that raised the question, in the course of the investigation, as to whether it was appropriate to pay—

Senator MURPHY—That is what I would like to confirm. Mr Moss's letter says:

... the number of complaints we had received regarding the ATO's handling of compensation requests.

Mr McLeod—I think I can confirm that they are specific complaints which refer to a claim for compensation.

Senator MURPHY—They have doubled in number, and I have a concern about the way this scheme works per se.

Mr McLeod—Yes.

Senator MURPHY—In the case that I have been dealing with, in particular, the time line set down by your office would suggest that the tax office is doing everything conceivably possible to delay an outcome. It seems to me that it has done this on a number of occasions. Where you have in excess of a 50 per cent increase in complaints about their handling of compensation matters, there seems to me at least to be something drastically wrong.

Mr McLeod—I do not particularly want to talk about the specific case. I think you are aware, and I am aware, that it has taken a considerable period of time to get the matter to this stage and it still remains unresolved. As a result of the representations that you made to my office last week, I have pursued the matter with the Australian Taxation Office and it is being expedited.

Senator MURPHY—In the report, beginning at page 40 and continuing on to page 41, you gave an example as a case study of the problem. In some respects your case study is represented in the matter that I am actually referring to, albeit it in slightly different terms. That is a cause for concern, especially when a person who has lodged a compensation claim has basically been directed to liaise with the Australian Taxation Office—against whom the complaint is made. I am just wondering whether or not that is a defective scheme in itself.

Mr McLeod—I do not think it goes so much to the nature of the scheme; it goes more to the manner in which agencies respond to the scheme and, more particularly, to their responsiveness. If one reads my annual reports over the last three or four years in relation to the Australian Taxation Office, one sees that one of the persistent criticisms of the Australian Taxation Office is that it is often slow in being able to deal with matters. We have been critical of the Taxation Office in relation to a range of matters where the sense of timeliness has been one of the criticisms that we have made.

Senator MURPHY—Coming back to this issue of a watching brief, you say:

We have asked the ATO solicitor to consider these claims and to share their initial views with my office prior to making a final decision.

As I understand it, you have not received any views from the Australian Taxation Office in the case I referred to.

Mr McLeod—In the particular case you raised with us, that is so.

Senator MURPHY—And that is some months later.

Mr McLeod—It is about to be expedited.

Senator MURPHY—Mr McLeod, I hope that it does not take a senator or a member of parliament to chase up every one of these in terms of the process. Again, the process seems to be at least problematic—fundamentally flawed is my view. That seems to be backed up by a 50 per cent plus increase in the number of complaints over a period of one year. With regard to those complaints, that is just on the side of the ATO. Do you get any complaints with regard to other agencies?

Mr McLeod—Yes, we do. As a general comment I would say that, over time, my office has not been entirely happy with the administrative arrangements in place that permit agencies, in certain circumstances, to consider and agree to monetary compensation. We produced a significant report about two years ago on the whole question of the various compensation schemes—and there are four separate schemes that apply to different types of circumstances. As a result of the recommendations we made, the department of finance has reviewed particularly the scheme related to defective administration. It has improved the policy framework, in our view, but it is ultimately an administrative arrangement that is made available to agencies to administer and apply themselves, and how well and how responsibly they do that is really a matter for the agencies themselves. From time to time, my office does receive complaints from people who are critical of the lack of timeliness in the resolution of some of these matters and, in appropriate cases, we intervene and do our best in trying to encourage agencies to bring their consideration to a conclusion more quickly.

Senator MURPHY—Even in the case study you cite in your report where an agency—I guess in this case it is the tax office—has endeavoured to pursue a taxpayer over a particular matter and that matter cannot even stand the test of the court, insofar as it does not get past first base—it gets thrown out by the judge—and the taxpayer seeks compensation as a result of the damage done to their business through the publicity leading up to the court case, the tax office can then take the opportunity to use any manner of other claims against the taxpayer to delay consideration of compensation. It seems a somewhat poor approach. In fact, I think that it is downright defective.

Mr McLeod—I can only respond to that by saying that at least members of the public have access to my office. I am completely independent and neutral in dealing with concerns that people have. We do the best we can to look at all complaints that we receive on their merits. Where we feel an agency is unreasonably delaying consideration of a matter or reaching a conclusion on a matter, we seek to intervene on behalf of the citizen. We are not always successful but in many cases we are successful. It does not cost a member of the public anything to come and seek our assistance. We have not got unlimited resources but we do the best we can. We apply our resources to those cases that we believe have greatest merit and nothing is lost in encouraging people who are dissatisfied with an agency's performance in this regard to seek to have the matter taken up with my office and we can see what we can do.

Senator MURPHY—But isn't it the case that once the agency has made a series of recommendations to the minister, that once it has got to that point there is no redress, not even on your part?

Mr McLeod—If it is a matter that is at the higher level of the spectrum and the amount of compensation being sought is within the prerogative of the minister to agree or not agree, it is a fact that my office does not have the capacity to review a decision of a minister. But we do have the opportunity to at least be satisfied in a case of that nature that in making a recommendation to the minister that the quality of the advice that has gone forward from the agency has fully and fairly dealt with the merits of the matter. It can be an aspect of defective

administration if the advice going forward to the minister is in some way biased or faulty. While it is not complete protection, it is at least some kind of guarantee that there is some external check on the quality and objectiveness of the material going forward to the minister for decision.

Senator MURPHY—In regard to the 15 in 2000-01 and the 31 in this current financial year, have you ever had cause to make recommendations that the approach of the Australian Taxation Office in these matters has been unfair or has been lacking in any way?

Mr McLeod—We receive in excess of 3,000 complaints a year—

Senator MURPHY—I am talking about these compensation ones—the ones that Mr Moss has advised me of.

Mr McLeod—I would have to refresh my memory on the individual cases, Senator. I would not like to hazard a guess.

Senator MURPHY—Could you take that on notice and let me know.

Mr McLeod—I will come back to you after I have reviewed those cases.

Senator MURPHY—I would like to know whether or not you have had to say to the tax office, ‘You had better go back and have another look at this.’

[5.09 p.m.]

CHAIR—We will now return to the Department of Prime Minister and Cabinet and output 4, which is support services for government operations.

Senator FAULKNER—Ms Belcher, I want to ask about caretaker conventions, which is your bailiwick. Thank you for the answer to the question taken on notice in the last round about inquiries about caretaker conventions. We now know that in the 1998 election there were around 300 inquiries on the conventions and in the 2001 election there were 480. Do you have an understanding of why there was that increase in numbers of inquiries? I suspect it is a good thing, not a bad thing.

Ms Belcher—Yes, we have thought about it. I think it is possible that that number we gave you might have included some duplicates so that is why we made it approximate. One of the reasons why there might have been more this time is that sometimes we do not know when an election is going to be—it could be any time in a 12-month period—but in this case it was known that the House of Representatives was going to expire on a certain date so it was a bit easier for departments to be aware that they could be facing a looming problem. We would normally discourage departments just from coming up with a whole lot of what-ifs, but closer to the time that we know will have to be a caretaker period the questions have more substance. I think another reason is a greater awareness of the conventions. I expect that they are the main reasons.

Senator FAULKNER—Have you done any assessment of compliance with the conventions at all? Could you say whether you feel that in the last elections there was more effective compliance with the conventions or otherwise?

Ms Belcher—We cannot do a complete check on compliance but we were certainly aware of a concern to get it right. We did not get many situations where people needed to come back saying, ‘I am getting some arguments; can you think again?’ It is fair to say that there was not only an awareness but a great deal of interest in complying properly.

Senator FAULKNER—Putting aside the issue that was raised this morning in relation to the conventions, there were some other issues that I think could be described as specific breaches of the conventions. I would like to go through them briefly with you. One was the Liberal Party's immigration policy, which was circulated to DIMIA officials on 22 October. Has that one been drawn to your attention?

Ms Belcher—No.

Senator FAULKNER—Would it be appropriate for the minister's chief of staff to circulate the Liberal Party's immigration policy to departmental officials for comment on 22 October 2001?

Ms Belcher—I would have thought that circulating a policy would be all right in that we get both government and opposition policies and ensure that we can brief on them. Normally we would do that just from the web site. I do not know the circumstances. I must say that it was not drawn to my attention. Providing any comments on a policy statement by either the government or the opposition is something that I would not have expected, but I do not know the circumstances.

Senator FAULKNER—It was circulated for comment.

Ms Belcher—Normally public servants are just preparing briefing on policies; they are not providing comments on policies. I would need to know more about it.

Senator FAULKNER—So you are not aware of that breach?

Ms Belcher—No.

Senator FAULKNER—I am surprised at that. I thought it was forwarded to the department.

Ms Belcher—By whom?

Senator FAULKNER—I have just been told it was. It is yet another one of those whistleblowers, but it might not be right.

Ms Belcher—Let me check. It is certainly not something I recall. As it would have come, from what you are saying, in the form of a concern, I would have thought that I would have remembered it. But let me check.

Senator FAULKNER—You could check for me whether the Liberal Party's immigration policy was distributed by email on 22 October 2001 and whether that distribution was done by a DIMIA management board member to senior management and staff in the management board member's division and perhaps beyond.

Ms Belcher—I really know nothing about it, but one possibility is that, like all policies, it was being distributed so that people could prepare incoming government briefs.

Senator FAULKNER—One of the problems here, of course, is that Mr Henderson might jump on me and quickly set the sniffer dogs loose in the AFP and have another investigation. I will consider providing this documentation to you so you can give a more considered answer.

Senator ROBERT RAY—It says, right at the bottom, 'The launch this afternoon is at 2 p.m.' That is not for an incoming government.

Mr Henderson—I think you did note Ms Belcher's speculative observation. When we are preparing incoming government briefs we have both ALP and Liberal-National Party policy

statements to enable us to prepare comprehensive summaries of those to hand to the incoming Prime Minister.

Senator ROBERT RAY—I am sorry, I did not mean to be rude about it, but I do not think this one is an incoming government brief.

Mr Henderson—No, it is the raw material for preparing—

Senator ROBERT RAY—When a message to one of them says, ‘Here it is; I do not want to know if there’s a mistake! Well, maybe it isn’t; it’s not too late. Cheers,’ and notes, ‘The launch is this afternoon at 2 p.m. Parramatta,’ I do not think it fits that category. That is what I am saying.

Senator FAULKNER—I will have to edit the stuff before I provide it to you, Ms Belcher, because Mr Henderson is there with his truncheon in the background, and I am very sensitive to that now, after yesterday.

CHAIR—I am assuming this is all in good humour, Senator Faulkner.

Mr Henderson—It is taken in that spirit; I do not know which way it is meant.

Senator FAULKNER—No-one has ever accused me of losing my sense of humour—maybe!

Senator ROBERT RAY—Certainly with the Electoral Commissioner that time.

Senator FAULKNER—I thought I maintained my sense of humour better than you did, I must say.

Senator ROBERT RAY—That is true.

Senator FAULKNER—I will look at providing that for you in that form, Ms Belcher, and you might care to comment. Anyway, you are not aware of advice being sought or given by PM&C on that particular issue?

Ms Belcher—No.

Senator FAULKNER—What about the issue of the departmental and agency links with party web sites? Of course, with the new technology, that is an issue that I know the caretaker conventions have to take account of. There were some breaches in that area, weren’t there?

Ms Belcher—Yes indeed.

Senator FAULKNER—Quite a number, really.

Ms Belcher—You pointed one out to PM&C, where we had done the right thing but somehow or other there was some technical hitch.

Senator FAULKNER—So you are owning up to a PM&C breach of the caretaker conventions?

Ms Belcher—Yes. I can assure you we moved quickly when we received your letter.

Mr Henderson—We did have the right arrangement, but somehow or other it was undone for a while. If you want the technical explanation, Dr Ball could give it to you. But we have acknowledged it.

Senator ROBERT RAY—Nasty threat, that one!

Senator FAULKNER—How long would the technical explanation take?

Mr Henderson—About two minutes.

Senator FAULKNER—Pass.

Ms Belcher—All I can say is that we did initially have it right, but something went wrong in the process. The first we realised it was when we received your letter, and we fixed it very quickly.

Senator FAULKNER—That has not been referred to the Federal Police, has it?

Mr Henderson—No.

Ms Belcher—As you know, we do now have guidance on the caretaker conventions on web sites, and we did receive a number of calls about what was right in terms of what should be on the web sites. I do not recall any of those being particularly controversial. We just gave the advice and we have no reason to believe it was not appropriate.

Senator FAULKNER—Are you able to say what agencies or departments were in breach of the caretaker conventions, apart from PM&C, in relation to this web site aspect? I think it is true that Defence was—that is right, isn't it? These are the ones that I am aware of that were drawn to agencies' attentions.

Ms Belcher—We think we know of one other department that was in that situation.

Senator FAULKNER—Which one was that?

Ms Belcher—We thought Immigration might have been.

Senator FAULKNER—I am aware of DIMIA. Have DTRS and Defence been drawn to your attention?

Ms Belcher—No. It is possible they were in the same situation as we were: moving quickly once we realised something had gone wrong.

Senator FAULKNER—Is there any broader checking on departmental compliance with these web sites?

Ms Belcher—No. We do not go into the web sites during the caretaker period to check, partly because we are pretty busy.

Senator FAULKNER—Yes, sure, but you are able to say that you got 480 inquiries in the last election. Are you able to say what proportion of those, even approximately, went to questions about web site links and the like? I thought that given this is, in a sense, a new area and a growing problem you might have been able to.

Ms Belcher—Approximately four or five per cent of the queries we received related to Internet issues.

Senator FAULKNER—Then of course there was the complete debacle of Ms Bishop's launch of the National Strategy for an Ageing Australia. Was that one drawn to your attention?

Ms Belcher—Yes.

Senator FAULKNER—Yes, that was curious. Can you just explain what went wrong there? First of all, who drew it to your attention?

Ms Belcher—I received a request for advice from what was then the Department of Health and Aged Care a short time—maybe a few days—before the scheduled launch. I gave advice that, as all the documentation had been prepared ahead of time and it was not a departmentally funded conference but rather an aged care organisation that was putting it on,

there would be no problems with the minister attending. Any support from the department would need to be of a minor logistical kind. I believe it was after further consideration within government that it was decided that it would be better if the minister did not distribute the material, despite the fact that it had been printed and paid for quite some while before.

Senator FAULKNER—Yes, that was the National Strategy for an Ageing Australia, wasn't it?

Ms Belcher—That is right, yes.

Senator FAULKNER—That was paid for by government?

Ms Belcher—Yes.

Senator FAULKNER—Whatever happened to the thing in the end? It was never distributed, was it?

Ms Belcher—I don't know.

Senator FAULKNER—I described it as a debacle because journalists were allowed to look at it but not take it away.

Ms Belcher—I think it might have been put out after the election.

Senator ROBERT RAY—But it had a foreword in it from Minister Bishop. So would that be right, that it would still be put out even though she was no longer in that position?

Ms Belcher—She might have been if it was released very soon after the election.

Senator ROBERT RAY—True.

Senator FAULKNER—The Prime Minister actually pulled out of the function, didn't he?

Ms Belcher—I did not know that he was to attend the function.

Senator FAULKNER—I think so, yes. He was axed from that function.

CHAIR—Your questions are not the evidence, Senator Faulkner.

Senator ROBERT RAY—You really should read this interview on Sattler, though. It is a bottler; I recommend it to you.

Senator FAULKNER—You said that concerns were raised within government at the last minute. Let us be honest, that is just code for the Prime Minister's office isn't it, Ms Belcher?

Ms Belcher—Yes, I think the Prime Minister's office was taking the view that throughout the caretaker period it was better to err on the side of caution, and if there was going to be any controversy about the distribution of material then it was better not to go ahead.

Senator FAULKNER—They did take that view on that occasion. So did someone from the Prime Minister's office contact you about this?

Ms Belcher—No, someone contacted me after—

Senator FAULKNER—After the Howard Sattler interview?

Ms Belcher—I don't recall that. But someone contacted me and said, 'Look, we have given the advice that it should not go ahead. We know what you said but ...'

Senator FAULKNER—Who was that someone?

Ms Belcher—I am not sure. There are two possibilities and I just do not know which one it was.

Senator FAULKNER—It was high farce, wasn't it? The journalists were all there and Mrs Bishop said that they could look at the strategy and take notes but they could not take a copy away. Did you give that advice?

Ms Belcher—No.

Senator FAULKNER—What was your actual formal advice on this?

Ms Belcher—My formal advice when I was first approached was that I thought it was all right for the strategy to be distributed, but there was another decision made.

Senator FAULKNER—But the decision that was driven out of the Prime Minister's office was run by you before the event?

Ms Belcher—I imagine that it was before the event that I was told that it was not going to be distributed.

Senator FAULKNER—You sort of got a panicked phone call some time before the launch?

Ms Belcher—No, I think it was more along the lines of, 'Look, we know you gave this advice but we have overruled you on this one.'

Senator Hill—We are more conservative.

Senator FAULKNER—And Mrs Bishop was left high and dry. Senator Hill, did that contribute to Mrs Bishop being dumped from the ministry?

Senator Hill—I would not put it in terms of her being dumped.

Senator FAULKNER—How would you describe it? Let me describe it the correct way: removed.

Senator Hill—She was not so much 'removed'.

Senator FAULKNER—'Passed over'?

Senator Hill—It is just that there is a great depth of talent in the government.

Senator FAULKNER—And she was not talented enough to make it.

Senator Hill—The Prime Minister chose a team—

Senator FAULKNER—More talented than she is.

Senator Hill—that he thought could best achieve his government's objectives in this term.

Senator ROBERT RAY—I thought she was released to serve her local electorate more closely.

Senator FAULKNER—Did anyone warn them?

Senator ROBERT RAY—There but for the grace of God we all could have gone, being dumped.

Senator FAULKNER—I wondered if the debacle of the national strategy launch actually had an impact. But you cannot help us with that?

Senator Hill—I do not think I am prepared to accept that it was a debacle.

Senator FAULKNER—That is the silliest answer you could have given.

Senator ROBERT RAY—The Prime Minister disliked her long before then!

Senator FAULKNER—Is there any assessment planned more broadly on the application of the caretaker conventions during the last election campaign?

Ms Belcher—We plan to do a review of a number of aspects of the pre-election period. There may be more satisfactory arrangements that we can come up with in terms of dealing with the vast number of calls that come in. At this stage there are no plans to adjust the guidance, but, over the course of the next years, it is quite possible there will be a need.

Senator ROBERT RAY—I would have thought that the area of guidance you need to look to most closely is that area where the perception—maybe not the reality—is that decisions are rushed, to get in just before the deadline. There should be some guidance there. If that is done in the very cool light of day now, it will not be regarded as a partisan issue when that guidance is applied—to whichever government. I would have thought that was the most crucial area to look at.

Senator FAULKNER—Given this is about caretaker conventions, is the plan to make that review public?

Ms Belcher—It was going to be an internal divisional review of the various activities we carried out in the months before and weeks after the election, just to see if we could improve in any way; so it was not intended to be a public review at all.

Senator FAULKNER—But given that it is about the caretaker conventions, wouldn't it be valuable for the government and the alternative government to be able to focus their minds on this?

Ms Belcher—I can certainly take that up.

Senator FAULKNER—I would appreciate that. On that particular issue, I think it is worth considering. Mr Henderson, I flagged with you yesterday that I wanted to raise with you the question of the National Australia Day Council. Is it best to direct these questions to you? I am not sure.

Mr Henderson—Ms Philippa Lynch and I should be able to help. She is an assistant secretary in the government division, and she is a member of the council now.

Senator FAULKNER—The National Australia Day Council is a comparatively new element of the PM&C portfolio, isn't it?

Mr Henderson—It is new.

Senator FAULKNER—When did you assume responsibility for that?

Ms Lynch—It became the responsibility of the Prime Minister's portfolio as part of the AAO changes in November.

Senator FAULKNER—Are you able to provide any background to that change for us, such as the reasons for it?

Mr Henderson—No. I think the chairman, Ms Lisa Curry Kenny and the Prime Minister may well have discussed the matter. I have not seen any formal explanation but there is a certain coherence with the Awards and National Symbols Branch in the department that came to us at the time of the AAO changes associated with DAS.

Senator FAULKNER—And they brought \$568,000 with them I gather from the PBS. Would that be right?

Ms Lynch—Yes, the unpaid portion of their base grant was transferred over as part of the change.

Senator ROBERT RAY—That is the remaining money from November through to 30 June this year. Is that right?

Ms Lynch—That would be right, yes.

Senator ROBERT RAY—What was their total budget for that year?

Ms Lynch—Their base grant for 2001-02 was \$818,000 and then they had an additional grant in September, I think, of an extra \$250,000 for the year ending 30 June.

Senator ROBERT RAY—So they had virtually spent half their money by the time they came to you?

Ms Lynch—I think that is about right.

Senator ROBERT RAY—So in less than five months they spent half. Has that put any strain on the budget for the rest of the year?

Ms Lynch—No, they are operating within budget in the current financial year—that combined total of the \$818,000 plus the \$250,000 additional grant.

Senator FAULKNER—It was over there in the arts part of DOCITA, wasn't it?

Ms Lynch—That is right.

Senator FAULKNER—Mr McGauran had direct ministerial responsibility for it?

Mr Henderson—Yes.

Senator FAULKNER—That is always a worry. Could you let us know who now comprises the National Australia Day Council, please?

Ms Lynch—It is a company limited by guarantee and established under the Corporations Act. The current chair is Ms Lisa Curry Kenny. The current directors are Mrs Marjorie Turbayne, Mr Reg Clairs, Dr John Yu, Mr Michael Robinson and me as the Commonwealth nominee. Each of the directors are appointed by the Commonwealth.

Senator FAULKNER—Is that done by cabinet decision?

Ms Lynch—I think they went through cabinet. My appointment went through cabinet.

Senator FAULKNER—Do you know when these people were appointed to their current roles?

Mr Henderson—I think I have those dates in the annual report.

Senator FAULKNER—Mr Gosper used to be running the outfit, wasn't he?

Ms Lynch—Mr Gosper was a director at one stage, yes.

Mr Henderson—He was the chairman at one point.

Senator FAULKNER—When did that change take place?

Ms Lynch—Ms Curry Kenny was appointed in November 2000 to be the chair.

Senator FAULKNER—Do you know about the length of service of the other members of the council you have mentioned?

Ms Lynch—I would have to take that on notice and find out for you.

Senator FAULKNER—What is the administrative support for the council?

Ms Lynch—They have a small secretariat. There is a director.

Senator FAULKNER—Who is that?

Ms Lynch—Mr Warren Pearson. He commenced in August 2001.

Senator ROBERT RAY—Who appointed him? The board?

Ms Lynch—The board would have appointed him.

Senator ROBERT RAY—This is before you were on it though?

Ms Lynch—Yes. I should say I took over from a board member from DOCITA.

Senator ROBERT RAY—How long was Mr Pearson's term?

Ms Lynch—I would have to take that on notice. He is employed by the council; he is not a board member of the council.

Senator FAULKNER—You were saying there is a small secretariat and you got as far as the director.

Ms Lynch—There is the director, a finance officer, a financial controller—I think that is his title; he is part-time—an office manager and another employee who deals with communications and marketing strategies. I can get their correct titles for you.

Senator FAULKNER—Are they all company employees? They are not Commonwealth public servants?

Ms Lynch—No, they would be employed by the council.

Senator FAULKNER—It is a six-person board?

Ms Lynch—Yes. At the moment, one director's term has just finished and there are a couple of vacancies on the board. The current membership is: Ms Curry Kenny, Mr Clairs, Mrs Turbayne, Dr Yu, Mr Robinson and me.

Senator FAULKNER—It is a six-person board with three vacancies?

Ms Lynch—It has a couple of vacancies at the moment. Mr Ron Green's term would have expired recently.

Senator FAULKNER—And there are some other non-filled positions?

Ms Lynch—Yes.

Senator FAULKNER—Are you able to say how many there are?

Ms Lynch—I would have to check the memorandum. I am sorry, I do not have that with me, but I can get that for you quickly.

Senator FAULKNER—How often does that board meet?

Ms Lynch—I think it meets about every two to three months. There was a board meeting this morning. I think the next one is in August, tentatively.

Senator ROBERT RAY—How many people attended the board meeting this morning?

Ms Lynch—That I do not know; I wasn't there. I had to send a proxy because I was here for Senate estimates.

Senator FAULKNER—Does it meet in Canberra?

Ms Lynch—That one was a telephone hook-up but, yes, I think they normally meet in Canberra.

Senator FAULKNER—So they are not normally telephone hook-ups?

Ms Lynch—No, they would not normally be a telephone hook-up. But this was a telephone hook-up today.

Senator FAULKNER—When was that meeting organised?

Ms Lynch—I would have to check when the date was actually set. There is a rough program established early in the year for when they are likely to be held. This one had been planned for some time.

Senator FAULKNER—It would be the executive director and so forth that had developed the business plan for the meeting?

Ms Lynch—There was a draft budget which was looked at in today's meeting. It had also been put to the audit committee in a telephone hook-up about a week or so before.

Senator ROBERT RAY—Have you been given previous business plans?

Ms Lynch—No, I have not.

Senator ROBERT RAY—Were there any?

Ms Lynch—I will have to check that for you.

Senator ROBERT RAY—You are on the board. I thought they may have given you a briefing to say that this is what has happened in the past.

Ms Lynch—I am aware of the recent history of the council, but I don't think I have seen directly any previous business plans.

Senator FAULKNER—Have you seen any business plans, current or previous?

Ms Lynch—As I said, I have just seen the current budget for the coming year.

Senator ROBERT RAY—That is not a business plan?

Ms Lynch—No.

Senator ROBERT RAY—Would you take on notice whether in the last three years they have had a business plan?

Ms Lynch—I can take that on notice.

Senator FAULKNER—You would expect such an organisation to have a business plan, wouldn't you, Mr Henderson?

Mr Henderson—Senator Ray just said for the last three years. You would be aware that the organisation got into severe financial difficulties.

Senator FAULKNER—I was not aware of that.

Mr Henderson—In 2000-01. Is that the year?

Ms Lynch—2000-01.

Senator FAULKNER—This is when Mr McGauran had ministerial responsibility?

Mr Henderson—In 2000-01 the organisation was bailed out with an injection of funds from DOCITA.

Senator ROBERT RAY—Who was chairperson of the council then?

Mr Henderson—Ms Curry Kenny's predecessor, Mr Gosper, I think.

Ms Lynch—I think that is correct.

Senator ROBERT RAY—Who was it?

Mr Henderson—I would have to confirm that. The briefing I have here suggests that Mr Kevan Gosper was the previous chair.

Senator ROBERT RAY—That would be right! And it got into financial difficulty under his guidance, under his chairmanship.

Mr Henderson—Ms Curry Kenny drew the attention of the government to its financial situation.

Senator FAULKNER—As she should—you would agree with that, wouldn't you, Mr Henderson?

Mr Henderson—Certainly.

Senator ROBERT RAY—Coming back to my question, we do not know if it previously had a business plan. You have added some information here, but we do not know whether it had a business plan.

Mr Henderson—I mention that because it suggests that it probably did not have a business plan.

Senator ROBERT RAY—Who was the executive director before Mr Pearson?

Mr Henderson—Mr Pearson's predecessor, when the financial situation was revealed—

Senator FAULKNER—To whom? Who was it revealed to?

Mr Henderson—It was revealed to the government by Ms Curry Kenny.

Senator FAULKNER—Has any public statement been made about this?

Mr Henderson—Yes. This is why I am surprised that you are unaware. There has been a lot of publicity about this.

Senator FAULKNER—I do not read every one of Senator Hill's press releases. I read most of them.

Senator Hill—I thought you were saying yesterday that you had plenty of time for this.

Senator FAULKNER—I do, but sometimes I miss something. I have got the clips to read at leisure; I have nothing much to do.

Mr Henderson—The national director was relieved of her duties soon after this situation became apparent, and she resigned. This of course is the situation I am describing before it came to PM&C.

Senator FAULKNER—So it is another department's fault?

Mr Henderson—I mention that because clearly we are not across all the details on this. DOCITA then put in a new manager. And then Mr Pearson was recruited. His background was that he worked for the New South Wales National Australia Day Council.

Senator FAULKNER—Has any inquiry been conducted into this?

Mr Henderson—Yes.

Senator FAULKNER—Apparently I should have seen it; I am sorry that I have not.

Mr Henderson—No, it is not a public document. One of the major accounting firms undertook an audit.

Senator FAULKNER—Which one?

Mr Henderson—KPMG.

Senator ROBERT RAY—Who ordered that audit?

Mr Henderson—I am not sure whether it was the board or the department.

Ms Lynch—It was the department. It was not an audit in the strict sense of the word, but the department organised for a report to be prepared by KPMG on the council's financial position.

Senator FAULKNER—What were the terms of reference for KPMG?

Ms Lynch—I do not have them in detail.

Senator FAULKNER—Perhaps not in detail, just in the broad or the general would assist.

Ms Lynch—It was to consider an assessment of the council's financial position.

Senator ROBERT RAY—And that report is completed whilst this organisation is still in another department?

Mr Henderson—Yes. The organisation was in a sustainable financial state when it was transferred to our department.

Senator ROBERT RAY—This was because extra money got pulled in, though, wasn't it?

Mr Henderson—Yes.

Senator ROBERT RAY—How much?

Ms Lynch—In 2000-01, it got a base grant of \$805,000; then it got a further \$1.6 million in 2000-01.

Senator FAULKNER—That \$1.6 million is the extra fund to bail it out; \$805,000 is the base funding, is it?

Ms Lynch—That was the base grant for 2000-01.

Senator FAULKNER—But it was a \$1.6 million bailout.

Mr Henderson—Yes.

Senator ROBERT RAY—You may not be able to answer this, but at what point during this does Mr Gosper depart?

Ms Lynch—I am checking to see if the dates for members are in here, but I cannot see those at present. Lisa Curry Kenny was appointed in November 2000.

Senator ROBERT RAY—I am trying to get the chronology right. She was appointed then and then drew shortcomings to the attention of the minister or the government or the department, which resulted in a KPMG review and a bailout et cetera.

Ms Lynch—That is correct.

Senator FAULKNER—I assume the National Australia Day Council brought its KPMG report with it?

Ms Lynch—Yes, it did. It was a report provided to—

Mr Henderson—It is part of this portfolio.

Senator FAULKNER—It is part of your portfolio now. Did KPMG identify the reasons for this overexpenditure?

Ms Lynch—Yes, it did.

Senator FAULKNER—Could you go through that with us, please?

Ms Lynch—It talked about overspending prior to 1997-98; some issues with putting in place corporate sponsorship in 2000-01; failure to take account of the lower sponsorship levels; and the financial systems and procedures that the council was using.

Senator FAULKNER—The first thing was overspending. When was that?

Ms Lynch—Prior to 1997-98.

Senator FAULKNER—What was that overspending?

Ms Lynch—I am sorry, I do not have that figure.

Senator FAULKNER—What were the details of the corporate sponsorship?

Ms Lynch—My notes are simply that there was a failure to put in place sufficient corporate sponsorship in 2000-01, so they had less sponsorship funding than they were expecting. That is my understanding.

Senator FAULKNER—That is one thing, but what did they spend their moneys on? Where did the money that they had go?

Ms Lynch—The report indicates that some of the money that came in was used to pay for existing liabilities rather than for future activities.

Senator FAULKNER—What were those liabilities?

Ms Lynch—I am sorry, I do not have those at my fingertips.

Senator FAULKNER—Are they in the report?

Ms Lynch—There is a list of the current liabilities in the report. The report makes it clear that they found no evidence of fraud in the examination.

Senator FAULKNER—That is something. Could you make this report available please, Mr Henderson?

Mr Henderson—The report contains commercially sensitive information, both about the NADC and its relationship with other contractors, that if released may have adverse impact on the current operations of the NADC.

Senator ROBERT RAY—Has there been any thought of asking the Audit Office to look at these, or does it not come within the ambit of the Audit Office?

Mr Henderson—To have the Audit Office audit this audit?

Senator ROBERT RAY—Yes. We apparently cannot be told where the overexpenditure is.

Mr Henderson—They have a series of awards that they stage—the Australian of the Year and a couple of others. Some of their expenditure is on those events. I am not going from a fine reading of the KPMG report, but they maintained their expenditure. Finally, the crunch came because they rely on a combination of government funding and corporate sponsorship and, for whatever reason, the corporate sponsorship dried up.

Senator FAULKNER—That means there is more of a reliance on taxpayer funds, so there is a significant issue about the use—or possibly the misuse—of taxpayer funds by the council at that time. That seems to me to be appropriately a matter that should be shared with this committee. I cannot see any reasons for withholding it. This is taxpayers' money.

Mr Henderson—That is why KPMG were commissioned to do the audit. Of course this is a serious matter, and we know we are dealing with taxpayers' money. That is why the organisation had obligations that had to be met.

Senator ROBERT RAY—I am wondering how someone can aspire to head the international Olympic movement and cannot run an Australia Day Council profitably or in balance. That is what has me intrigued.

Senator FAULKNER—I want to press you on this issue of the report. If there is something that is commercially sensitive—which is a qualification that I do not necessarily accept but I hear what you say to us, Mr Henderson; of course, as I always do, I accept what you say at face value—can't that be excised from the report and the balance of the report be made available, and let us have a debate about the commercial sensitivity at some later stage?

Mr Henderson—I will take on notice the possibility of excising certain parts of the document. We will consider that. There are clearly some things that are still in train in relation to this that will be commercial.

Senator FAULKNER—If the minister was interested enough to be here I would like to ask him this, because I would like to get a commitment from him about it now. It seems perfectly reasonable for this material to be provided, at worst with any so-called commercially sensitive information deleted from it.

Mr Henderson—I have undertaken to consider that.

Senator FAULKNER—Yes, but I would like ask the minister about this and he is not here.

Senator BRANDIS—He is here.

Senator FAULKNER—Is he? I did not realise that. He really is here, apparently. He is on the telephone.

Senator ROBERT RAY—Can I ask about the reporting responsibilities of the board to the department and the minister, as they currently are? Then I want to go back and see whether there was a breakdown in the past. Ms Lynch, is it your job or the chairman's job to keep the department and the minister informed of how things are going?

Ms Lynch—They now provide the government through the department with a monthly set of finances, for example, as part of the terms of the grant deed. Ms Curry Kenny would meet with relevant ministers or parliamentary secretaries; and of course the department also has a reporting role.

Senator ROBERT RAY—Is that regime post the KPMG report or did it exist before?

Ms Lynch—I am not sure what the reporting arrangements were prior to the KPMG report, but the additional funding that was provided after the KPMG report was provided on the basis of receiving monthly financial reporting and on the basis of KPMG recommendations being implemented.

Senator ROBERT RAY—There must be some corporate memory of it—and I know you would not have it at this stage—as to what the procedures were prior to that. Could you take

that part of the question on notice, to let me know what the reporting regime was prior to the KPMG report being commissioned. I assume there is enough corporate memory left in the organisation to be able to answer that, but that is an assumption by me.

Ms Lynch—In the council?

Mr Henderson—In which organisation?

Senator ROBERT RAY—In either the National Australia Day Council or by way of a request to the previous department to supply you with that information to send on to us. I do not think it is appropriate that we interview that department now. We could—it is just down the corridor—but I would rather go through who is responsible for it now. Isn't that the principle we abide by?

Mr Henderson—Yes.

Senator FAULKNER—Do we know what the KPMG report cost? I appreciate that it is commissioned by DOCITA.

Ms Lynch—I have to take that on notice. I do not have that information.

Senator FAULKNER—Do you know when it was received?

Ms Lynch—They reported in March 2001.

Senator ROBERT RAY—I do not want to go into commercially sensitive areas of the KPMG report, but wasn't one of its findings that there was extravagant expenditure on trips and hotels?

Ms Lynch—I will have to take that on notice, Senator.

Senator ROBERT RAY—Have you read the KPMG report?

Ms Lynch—I have read the KPMG report. I do not recall anything like that.

Senator ROBERT RAY—It may not be there; I am not asserting it is.

Ms Lynch—I will go back and check, but I do not recall that.

Mr Henderson—I thought you were quoting from the report.

Senator ROBERT RAY—No; I do not have the report. It has not been leaked to me, I promise; but I am thinking of a return to order posthaste to get it. Obviously under FOI the appropriate officer would knock me back because of commercial factors. No. It has been alleged that this is the case; I am not saying it is. That is why I was asking whether the report found there had been an extravagant expenditure on trips and hotels—but you cannot recall and I may, in fact, be wrong.

Senator FAULKNER—What I do have, of course, is the National Australia Day Council's annual report for 2000-01. Am I missing something or did I find no reference to any of this in the annual report?

Ms Lynch—No reference to the KPMG report? If you look at page 39 there is a reference to the additional funding in note 6 to the statutory financial statements.

Senator FAULKNER—Let me just turn it up: is it at page 39, 'Review of operations'?

Ms Lynch—No; in paragraph 6, 'Significant changes in state of affairs', there is a reference to additional funding received during the year.

Senator FAULKNER—It says:

Additional funding was received during the year from the Department of Communications, Information Technology and the Arts which has resulted in a reduction in current liabilities and an improved cash position.

Yes?

Ms Lynch—No. I do not think there is anything in there about the KPMG report.

Senator FAULKNER—I said that I do not think I have seen anything about the KPMG report. What I meant was, am I missing something, or is it there?

Ms Lynch—I do not think it is there, Senator.

Senator FAULKNER—What do you think of that for transparency, Mr Henderson?

Mr Henderson—If it is true that it is not there, then that is not very transparent.

Senator FAULKNER—No. In fact it is not transparent at all. This is an assumption, I did ask the date of the KPMG report. Have you got a date when that was presented?

Ms Lynch—Yes; it was presented in March 2001.

Senator FAULKNER—Prior to the statutory requirements for the production of this annual report?

Ms Lynch—That is right.

Senator FAULKNER—Do we know who decided not to put it in?

Ms Lynch—No, I do not, Senator.

Senator ROBERT RAY—This would be before your time and involvement, though, wouldn't it?

Ms Lynch—It would be.

Senator ROBERT RAY—Yes; which was November 2001. Does this National Australia Day Council actually remit any funds to the state councils?

Ms Lynch—Yes, it does.

Senator ROBERT RAY—How much will it be remitting in this financial year?

Ms Lynch—I am not sure that I have the figures with me, but I can get them for you. I can take that on notice, but they do make grants to each of the state bodies.

Senator FAULKNER—Can you go to the aforementioned page 39 of the annual report, under part 5, 'Review of operations'? The final sentence says:

The corporate sector provided a total of \$580,523 for national programs, and part of this funding was allocated to State and Territory Australia Day Councils for local projects.

Ms Lynch—I think there is also some sponsorship that comes through the National Australia Day Council that then goes out to the states in addition to direct grants to the state bodies.

Senator FAULKNER—Given that this has been mentioned in the annual report, could we get a breakdown of it?

Ms Lynch—Of the amounts that went to the states for 2000-01?

Senator FAULKNER—Yes.

Ms Lynch—I thought Senator Ray was asking for the figures for this financial year?

Senator ROBERT RAY—I was asking for those of this financial year.

Senator FAULKNER—I think we know the total amount for the previous financial year, because that is mentioned on page 44, under 4, Operating expenditure. That is in the statement of cash flows.

Ms Lynch—You would like a breakdown by states and territories?

Senator FAULKNER—Yes, please. Do you know the reason for the huge fall in income from the corporate sector?

Ms Lynch—I think it may have been due in part to the greater competition for sponsorship that coincided with things like the Olympic Games. That may have been part of it.

Senator FAULKNER—How do you know that?

Ms Lynch—I am hypothesising.

Senator FAULKNER—The Commonwealth increase is a bailout?

Ms Lynch—The additional money provided in response to the KPMG report over and above its base grant is, yes.

Senator FAULKNER—Who determines these grants to the states or territories? You are on the board; you might be able to help us with that.

Ms Lynch—The council determines what the break-up will be between the states and the territories.

Senator FAULKNER—Who draws up the recommendations?

Ms Lynch—They would be drawn up initially by the secretariat and put to the board.

Senator FAULKNER—In consultation with the states and territories?

Ms Lynch—I am not sure if they are necessarily consulted about the proposed changes from year to year. I doubt the states and territories got a chance to comment on any changes that might be put—

Senator FAULKNER—Do you get any feedback from them about the arrangement?

Ms Lynch—Yes. For example, about a month ago, the directors of each of the state bodies met with the national director for a two-day meeting to discuss a number of issues.

Senator FAULKNER—What was the outcome of that?

Ms Lynch—I do not have formal advice on the outcomes at this point. It was a two-day meeting that covered a range of issues, and one of those issues would have been the funding arrangements or the grants for the coming year.

Senator FAULKNER—Do you know how the Australian of the Year award is conducted?

Ms Lynch—Yes, I do.

Senator FAULKNER—Could you explain the process?

Ms Lynch—The process leading up to the announcement in 2002 was that the council called for nominations for the Australian of the Year, those nominations were put to the board and the board selected the winner and then advised the Prime Minister. The winner is selected by the board. That was for 2002. There may be some differences in the coming year because the council is looking at different ways of running it, but it is still proposed that the board would make the final decision.

Senator FAULKNER—What are the different ways the council are looking at?

Ms Lynch—They are examining ways—and none of this is set in concrete—of possibly doing it at a state based level. You would have people coming up through state level selections, a little like I think the Young Australian of the Year is done. There is a state based selection and then the council selects the final winner of the Young Australian of the Year from a range of award winners in the states.

Senator FAULKNER—Are any responsibilities or roles for selecting the Australian of the Year contracted outside of the Australia Day Council?

Ms Lynch—Yes, the Young Australian of the Year has been run through a contractual arrangement, although the board chooses the Young Australian of the Year, and then there are proposals to—

Senator FAULKNER—What sorts of contractual arrangements?

Ms Lynch—The council had a contractual arrangement with a Queensland firm who ran the state based selections for a number of awards in a number of categories which culminated eventually in the selection of the Young Australian of the Year.

Senator FAULKNER—So that is the model that the Australia Day Council is looking at for the future?

Ms Lynch—No, I would not say that the model was being based on the Young Australian of the Year. But, again, there is the possibility of looking at a process whereby you might have state Australians of the Year, one of whom would then go on to be selected as the Australian of the Year.

Senator FAULKNER—Is the council examining the possibility of contracting out the choice of the Australian of the Year?

Ms Lynch—No, not the choice of the Australian of the Year.

Senator FAULKNER—What are they looking at contracting out?

Ms Lynch—They are looking contracting—I think a better word would be licensing—arrangements so that you would have a series of awards at a state based level. You would then have a number of finalists from state based selections which would then go to the board. But none of these arrangements have been finalised.

Senator FAULKNER—Licensing who—private companies?

Ms Lynch—Licensing a private company to organise the sponsorship and arrange the events would be the way I would put it.

Senator FAULKNER—But not the nominees?

Ms Lynch—No, I think that the proposal would be that nominees would be arranged, but the nominees might come through a different route. Previously the nominations, I think, came directly to the council. Sorry, selection is not contracted out in the Young Australian of the Year, for example. There are still judging panels set up for the Young Australian of the Year. The choice is not contracted out to a particular contractor. There are selection panels in the states for the various awards with appropriate membership.

Senator FAULKNER—Anyway, you are looking at licensing arrangements and contracting out?

Ms Lynch—For developing sponsorship and organising events, yes.

Senator FAULKNER—In terms of your responsibilities on the Australia Day Council, do you consult with other members of the department to get any guidance about your role on the board?

Ms Lynch—I certainly consult with the corporate services area on the financial aspects and the financial reports that come in.

Senator FAULKNER—Do you get a vote for the Australian of the Year?

Ms Lynch—I was at the meeting last year at which the Australian of the Year was voted on, yes.

Senator FAULKNER—Yes, but do you get a vote?

Ms Lynch—Yes, as a board member, I get a vote.

Senator FAULKNER—Do you consult superiors in the department about who you vote for or do you just take this off your own bat?

Ms Lynch—I had some general discussions, but then I went to the meeting and voted.

Senator FAULKNER—Who did you have them with?

Ms Lynch—Mr Henderson.

Senator FAULKNER—Did you discuss with Mr Henderson the possible nominees?

Ms Lynch—We discussed the range of names that were there. I cannot remember the exact number of nominations.

Senator FAULKNER—Isn't that a breach of the confidentiality of the council?

Ms Lynch—I do not think so in the sense that I was representing the Commonwealth's representative on the board.

Senator FAULKNER—Did you discuss it with anyone else or just Mr Henderson?

Ms Lynch—It was discussed very broadly with an officer in my branch, who at one stage looked like going to the meeting because I would be unavailable.

Senator FAULKNER—Who did you discuss it with, Mr Henderson?

Mr Henderson—The only person I discussed this with was Ms Lynch.

Senator FAULKNER—Did you tell her how to vote?

Mr Henderson—It would not have mattered what I said, she was going to the meeting to vote as she chose.

Senator FAULKNER—What is absolutely clear is that Ms Lynch has talked to you about the nominees.

CHAIR—You are only told how to vote in the Labor Party.

Senator ROBERT RAY—You do not get a vote in the Liberal Party—poor Daleks—they just say, 'We obey'!

Senator FAULKNER—You are now in the one area that we have a bit of expertise in. We are now traversing the one area we know something about: the odd ballot.

Senator BRANDIS—Are you talking about yourself, Senator Faulkner?

Senator FAULKNER—Yes, I know a little bit about it—I have been losing them for years.

Senator ROBERT RAY—I have read the McGibbon affidavit, so I know all about ballots.

Senator BRANDIS—The McGovern affidavit?

Senator ROBERT RAY—The McGibbon one.

Senator BRANDIS—Oh, I thought you were talking about Senator McGovern.

Senator FAULKNER—I would be interrupting if I were you too—I understand why you are.

Senator BRANDIS—I am not interrupting.

Senator FAULKNER—Ms Lynch, how many names—and I do not want to know the names, I just want to know the number of names—did you discuss with Mr Henderson?

Ms Lynch—I cannot recall that.

Senator FAULKNER—How many were on the shortlist? Half a dozen?

Ms Lynch—No, there were quite a lot of names. I do not have the exact number. Some of those names would have been ineligible, for example, because they were not Australian citizens.

Senator FAULKNER—Then how did they get on the list to begin with, if they were not Australian citizens?

Ms Lynch—They were public nominations. The public can nominate and not all the nominations that we receive from the public would have been necessarily people who were Australian citizens, for example.

Senator FAULKNER—Did you check with Mr Moore-Wilton, Mr Henderson?

Mr Henderson—No, I did not. I said that the only person I discussed this with was Ms Lynch. She mentioned that another officer may have been going in her stead, and that person may have been present at this discussion as well—I cannot recall.

Senator FAULKNER—But you were quite comfortable with this approach?

Mr Henderson—We had a meeting of minds, as it happened.

Senator FAULKNER—To work out how to vote?

Ms Lynch—I think I can say, Senator, that I was not instructed how to vote at the meeting.

Senator ROBERT RAY—I just want to get it right: there is a council and there is a company, is that right?

Ms Lynch—The National Australia Day Council is, in fact, a company limited by guarantee, so it is really strictly speaking the National Australia Day Council Ltd.

Senator ROBERT RAY—You are on that and you do not get paid for service on that because you are a public servant.

Ms Lynch—That is right.

Senator ROBERT RAY—What does the chair of that get in terms of remuneration; or what band, if it is not permissible to ask the exact remuneration?

Ms Lynch—I think they get sitting fees and I think the fee is at a rate established by the Remuneration Tribunal. I do not have the figure with me.

Senator ROBERT RAY—So it is only a sitting fee for the chairman, not a—

Ms Lynch—There is a sitting fee for the directors other than me.

Senator ROBERT RAY—Yes, but I am asking whether there is remuneration for the chair for chairing or whether it is just a sitting fee?

Ms Lynch—It is just a sitting fee.

Senator ROBERT RAY—Are you subject to reporting to the stock exchange?

Ms Lynch—No, but the body is a CAC body: it is subject to the Commonwealth Authorities and Companies Act.

Senator ROBERT RAY—That is what I meant to ask.

Ms Lynch—The National Australia Day Council Ltd is a CAC body.

Senator ROBERT RAY—You have corrected my question and given me an answer; that was good work.

Senator FAULKNER—Could I ask what contracts have been drawn by the National Australia Day Council in relation to contracting out or licensing of any activities around the Australian of the Year? Has it got to that point or is it still under consideration by the board?

Ms Lynch—An organisation has been selected but the terms of that contract, I think, are still being negotiated.

Senator FAULKNER—An organisation has been selected?

Ms Lynch—Yes, but the contract itself, I understand, had not been signed when I last inquired.

Senator FAULKNER—Has there been an open and public tender process, Mr Henderson?

Ms Lynch—There was a tender process that went on. I am not sure of the exact number, but I think at least three organisations were asked to put forward proposals.

Senator ROBERT RAY—So it was a selective tender?

Ms Lynch—I think it was a selective tender. I do not think it was a full, open tender; I think it was a selective tender.

Senator FAULKNER—But the contract has not been signed?

Ms Lynch—Not as yet, as I understand it.

Senator FAULKNER—The process is completed?

Ms Lynch—Yes.

Senator FAULKNER—What will the contractor be doing for the National Australia Day Council?

Ms Lynch—One of their prime tasks will be organising sponsorship for the awards and organising the awards events themselves.

Senator ROBERT RAY—What does the rest of the board then do?

Ms Lynch—The National Australia Day Council does other things than simply arrange the winners of the awards. The council has a broader remit than that and is in fact developing a communications strategy to engender greater interest, awareness and appreciation of what Australia Day is about.

Senator ROBERT RAY—I am trying to get a balance of what they do. All the sponsorship and all the events are going to be organised by another company; you retain the ballot to choose the Australian of the Year. I am just trying to see whether we are getting value for money here.

Ms Lynch—The council is still engaged in promoting Australia Day and in fostering greater pride and interest in Australia Day. There are broader educational issues than simply the organisation of the event itself on the day. The council sees it as more than just doing something on Australia Day; there is an awareness raising exercise. Its charter is set out on the inside cover of the last annual report.

Senator ROBERT RAY—Was the remuneration for Mr Warren Pearson a Remuneration Tribunal decision?

Ms Lynch—No, Senator.

Senator ROBERT RAY—Who makes that decision?

Ms Lynch—I think that was an AWA that was approved by the chair and the chair of the audit committee.

Senator ROBERT RAY—We were told that the previous executive director left—I think the word ‘resigned’ was used. There was no package attached to that resignation, was there? By that I mean there was no additional payout other than what was normally due in terms of leave and other accrued entitlements.

Mr Henderson—The previous executive director but one.

Ms Lynch—There was an interim DCITA.

Senator ROBERT RAY—Right, thank you. I am looking at the one that we were referring to before.

Ms Lynch—I understand she was provided with pay and one month’s rent in lieu of notice. That is my understanding.

Senator FAULKNER—What has rent got to do with it?

Mr Henderson—It used to be based in Sydney and it is now based in Canberra.

Ms Lynch—Relocated.

Senator FAULKNER—Do we know the name of the previous director?

Senator ROBERT RAY—Yes, Ms Carrie Elton. That is right, isn’t it?

Ms Lynch—Yes.

Senator ROBERT RAY—I do not want to ask what Mr Pearson’s pay level is if it is an AWA, because I will not be told, but was it at a similar level to the previous executive director, leaving out the interim one?

Ms Lynch—I do not know what the salary of the previous director, Ms Elton, was so I cannot tell you whether it is similar.

Senator ROBERT RAY—What I am really asking is, having had the joint go into a very serious decline and have supplementary funding, whether you needed to bring someone in and pay them more money to try and drag it out of it. That is really why I was asking those questions, to get to whether that was the case.

Mr Henderson—This is an organisation that has been burned by that experience. Pearson, to me, is a very effective executive director. The chairman of the audit committee, Reg Clairs, is a former Chief Executive of Woolworths. There are people who are very well credentialled, and, of course, we are focusing on the financial aspects as well. There have been lessons learned—you would well say they should have been—but I think we have turned the page.

Senator ROBERT RAY—They have basically been sent to you to be cleansed and reformed, for redemption. That is the purpose of transferring them to you, isn't it? A new start?

Mr Henderson—The financial salvage operation was complete before they joined us. Mr Pearson was appointed before they joined us. Ms Curry Kenny alerted the government to the situation and things moved pretty quickly and things were sorted out in advance of the AAO change.

Senator ROBERT RAY—But Mr Gosper did not alert the government to the financial position? That seems to be the implication.

Senator FAULKNER—Is that right?

Mr Henderson—All I am in a position to say is that it was the new chair. I am not sufficiently familiar to say where the responsibility really lies.

Senator ROBERT RAY—I was not even trying to allocate responsibility. I was trying to establish who alerted the government and, by implication, if the first time the government was alerted and it was by Ms Curry Kenny then the implication is that Mr Kevin Gosper did not alert the government to the situation.

Senator FAULKNER—That is not an implication; it is more—

Senator ROBERT RAY—It is obvious.

Senator FAULKNER—Was Mr Gosper removed by the board?

Mr Henderson—I am not sure.

Ms Lynch—My understanding is that his term would simply have expired, but we can check on that.

Senator FAULKNER—He was not reappointed by the cabinet? Can you help us with that Senator Hill?

Senator ROBERT RAY—He was too busy arranging relay runs and university entrants probably to concentrate on this.

Senator FAULKNER—At the moment Senator Hill, we know that you are otherwise engaged but we were just asking about Mr Gosper.

Senator Hill—I know.

Senator FAULKNER—Are you able to help us?

Senator Hill—No. But I do not think—

Senator FAULKNER—Just the usual, is it?

Senator Hill—I was concerned that an inference might be drawn from your question that in some way he was not wanted as a result of the financial problems of this organisation.

Senator ROBERT RAY—He has got an annual budget of \$800,000 under him. It goes into the hole by \$1.6 million. He does not tell the government about it and his successor does. So, yes, we might leave an implication there.

Senator Hill—I know a body such as this—and I can think of several others that have experienced significant financial difficulty in recent years, as well—

Senator FAULKNER—Can you name them? If you can think of several others, well name them.

Senator Hill—The one I was thinking of was the Keep Australia Beautiful organisation, which is similarly based in many ways. It is very difficult to raise funds for these organisations in this day and age.

Senator ROBERT RAY—It has blown its budget too?

Senator Hill—The circumstance in every organisation will differ but some of these community based, public interest, morale-building organisations seem to be going through a phase of finding it difficult to fundraise. I would not be drawing conclusions on the issue of fault unless I knew all the facts.

Senator ROBERT RAY—I would like to know all the facts and therefore I will ask you: will you release the KPMG report so I can know the facts; albeit, with a caveat, that if it is dealing with some sensitive commercial areas that they be expunged before release? But you see you, as a government and as the department you are representing, will not release that document to us. Mr Henderson said he will go away and look at part of it. Minister, I am asking you about that. I would like to know what KPMG found when they went through the books?

Senator Hill—Without notice of the matter, I do not think it is unreasonable for me to say that I would need to take it on notice. I can see reason why it would be in the public benefit for it to be released. However, I am told also that it details some legal disputes that are currently being pursued so these may well relate to—

Senator FAULKNER—That was not mentioned by Mr Henderson. But, while you were talking to your colleagues and not concentrating on the matters that were being dealt with by the committee, Mr Henderson did point out to us—and it was helpful—that the report contained some, what he described as, ‘commercially sensitive’ material. I suggested, even though I am not sure that that is the case, to Mr Henderson—because I know he does always try to provide the committee with accurate advice—that if that were the case then that element could be blacked out or deleted from the report, only if it was required, and the remainder of the report could be made public. This is taxpayers’ money, Senator Hill.

Senator Hill—I understand that.

Senator FAULKNER—I think Australian taxpayers are entitled to know how it is being spent or misspent.

Senator Hill—I find difficulty in arguing against that. I cannot even see that I want to argue against that.

Senator FAULKNER—Good. Why don’t you front up with the report?

Senator Hill—I need to be satisfied that there isn’t something that neither of us know about that would justify the report being withheld.

Senator FAULKNER—I do not have any inside knowledge. I can assure you that I have not seen the KPMG report. I wish I did have a copy of it, but I do not, and Senator Ray has indicated that he does not have a copy either.

Senator ROBERT RAY—No, but I would like to put this to Senator Hill: you have more than two alternatives here, you have three. You can refuse, table it or table part of it. It is not just black and white.

Senator Hill—I understand that.

Senator ROBERT RAY—There is a third alternative. In fact, this is the one department that in terms of returns to order and FOI seems to have been more willing to supply part information and withhold others, rather than just use it as an excuse to withhold everything. The track record of PM&C has been good on this compared with a lot of other departments, so I would like to see it continue.

Senator Hill—All I am saying—and again it is at a risk because I do not know the facts either—is that I can understand an organisation such as this, on the basis of past experience, perhaps being more optimistic than what it should have been in terms of its fundraising. We seem to be going through a phase when it is particularly difficult to raise money for this type of body.

Senator ROBERT RAY—I concede that. We might consider that that is probably a relevant fact, but what we are particularly interested in and what we want to know is whether on the expenditure side the expenditure was responsible by this organisation. As I understand, KPMG will probably say something one way or the other.

Senator Hill—Yes.

Senator FAULKNER—Do you know why the ANAO in its independent audit report that is contained within the annual report 2000-01 did not mention the KPMG report?

Senator ROBERT RAY—Were they given it?

Mr Henderson—We cannot answer for them. They audit those and they audit ours. They would have to answer for this themselves.

Senator FAULKNER—The ANAO is an agency in Prime Minister and Cabinet. The letter from the executive director is dated 23 August 200—and, as I understand it, that well and truly post-dates the KPMG report—and it may not be an appropriate matter for the audit office to put in its letter. You indicated that you thought it was a lack of transparency for the matter not to be mentioned in the annual report in the broad. Do you recall saying that, Mr Henderson?

Mr Henderson—I do.

Senator FAULKNER—Would you think it is a lack of transparency, if the ANAO is aware of this, for it not to be mentioned in its independent audit report? Would you care to comment on that?

Mr Henderson—No, I would not care to comment on that.

Senator FAULKNER—Why not? You were quite prepared to bucket the annual report of the National Australia Day Council. There may be a good reason for this, I do not know. I do not know enough about auditing standards and procedures to ensure that my question was so qualified to accept that it may be inappropriate for that to be included, but you were very clear

and very direct in saying to me that it was a lack of transparency for this matter not to be contained within the annual report.

Mr Henderson—There may be a ready explanation for the auditor to explain in relation to his report. It was this committee's own report on our annual report that complimented the secretary on his candour referring to the serious budget leak that we had last year. So we are candid about glitches. I would have thought I am in a better position to comment about annual reports, as distinct from auditors, financial—

Senator FAULKNER—I do accept that, Mr Henderson. Hence, I am asking, as it is an agency in the department, would you mind taking that on notice and passing that on to the ANAO?

Mr Henderson—I will do that.

Senator ROBERT RAY—Minister, I do not want to verbal anyone here, but I think the general view is that this body has been moved, with funding, into PM&C because in a previous incarnation it ran into trouble within the purview of another department. But isn't there a potential problem here that it will have less ministerial supervision, given the busyness of the Prime Minister? To bring it into the Prime Minister's department—

Senator FAULKNER—No, you are quite wrong. I remember it was under Mr McGauran's ministerial responsibility.

Senator ROBERT RAY—Leaving aside that sardonic remark, I have always been in favour of moving stuff out of the Prime Minister's department so that prime ministers are not held accountable for things that they cannot possibly concentrate on. This is a long convoluted way of asking you, Senator Hill, whether it would not be appropriate when Senator Heffernan's replacement is put in place that they be given some responsibility in this area so there is some sort of ministerial supervision. I sort of recall getting a couple of letters from Senator Heffernan about these sort of related issues—not this one, but something or other; I never took them too seriously—but, can in fact the parliament and the secretary under the Prime Minister have some role of supervision here? It is not a mistrust of any of the public servants involved, but at least it gives a chain of responsibility. Sorry for the convoluted question.

Senator Hill—I can obviously pass that suggestion back. It seems as if, basically, it was transferred to this department in a sound financial position.

Mr Henderson—Yes, it was. I made that point before.

Senator FAULKNER—Senator Hill, you should have concentrated. We have been over that ground.

Senator Hill—I am now becoming interested in these things.

Mr Henderson—It was in a sound position when it came to this portfolio. You have been drawing the link between the financial difficulties that it incurred previously with the transfer to this portfolio. I am not aware of any basis for reaching that conclusion.

Senator ROBERT RAY—I have not made that assertion. It has reached you in good financial position, but that was because it was in a bad position, had a \$1.6 million bailout and, I assume, people wanted better supervision so that is never repeated, and that is why it is with you. It is slightly different to what you have said. Nevertheless, I repeat the point: if you start moving potential problems into the Prime Minister's department, he is responsible for the administration of those things. No-one can be humanly expected to look at it in the detail

necessary. Therefore, a junior minister or a parliamentary secretary or someone should be given that responsibility to relieve the Prime Minister of it, at least in the first instance.

Ms Lynch—Can I just add something to an answer I gave a little while ago? You asked me about the tender process for the outsourcing of the delivery of the awards. I think I said there were three organisations. In fact, six companies were invited to participate, and three came back with expressions of interest.

Senator FAULKNER—I think that is enough on the National Australia Day Council.

CHAIR—It might be a good time to break.

Senator FAULKNER—It would be. Could I table the material I would like Ms Belcher to look at and comment on—in the fullness of time. I have tried to remove all identifying marks so the innocent are protected.

CHAIR—Senator Faulkner, could you describe to *Hansard* what it is?

Senator FAULKNER—This is the matter that we were speaking about in relation to the chief of staff of the minister for immigration and the Liberal Party's policy launch at 2 p.m. that day, with comment requested on the Liberal Party immigration policy. That is a convoluted explanation, but I know that Ms Belcher is aware of it. Here is a copy of the document, fearfully handed over.

Proceedings suspended from 6.41 p.m. to 8.06 p.m.

CHAIR—Before we recommence questions, the committee has received two answers to questions on notice: one from Mr Oliver concerning SES performance pay and the staff eligible to receive that; and the second from Dr Ball concerning the cost of audit services provided by Telstra Enterprise Services. The committee is continuing to examine output 4. I call Senator Faulkner.

Senator FAULKNER—I have a question in relation to the establishment of the HIH Insurance royal commission. The annual report notes the fact that PM&C provided advice and administrative support for the establishment of the royal commission into the failure of HIH Insurance. Could you indicate to me whether the division advises on the level of funding for a royal commission like this.

Ms Belcher—No. From recollection, the Department of Finance and Administration drew up a draft budget and, yes, we would have provided some comment on that.

Senator FAULKNER—The draft budget is drawn up in Finance?

Ms Belcher—Yes, that is right. These days it would be done by A-G's in conjunction with Finance, I would have thought, now that the Attorney-General's Department has responsibility for the administration of royal commissions.

Senator FAULKNER—The HIH royal commission has significantly less funding, has it not, when you compare it to, say, the building industry royal commission?

Ms Belcher—Yes.

Senator FAULKNER—Do you know what the reason for that is?

Ms Belcher—I think it took into account the extent of travel and the number of legal teams. I would need to go and check on the breakdown of the two budgets.

Senator FAULKNER—But the budgets are drawn up in both cases in DOFA, are they, as far as you know?

Ms Belcher—Yes, that is right. We certainly had some input into both of them, but the initial drawing up of them takes place in Finance after discussion with the secretary of the royal commission, after there has been some attempt to define the way the commission is likely to be operating.

Senator FAULKNER—I am interested to know why one is much better funded than the other and where this originates from.

Ms Belcher—I think that if we drew up the differences it would probably be the two issues of extent of travel around Australia for hearings and the structure of the legal support.

Senator FAULKNER—What about the role of the royal commissioners themselves?

Ms Belcher—The royal commissioner would have a role in determining how the commission was going to operate, and so to that extent it would have an effect on the budget.

Senator FAULKNER—How do you determine remuneration for royal commissioners?

Ms Belcher—In the case of the two current royal commissioners, one of them is paid for by the Western Australian government in an arrangement whereby he is paid his judicial salary.

Senator ROBERT RAY—He is a judge, and the WA government is already paying him and so they continue to pay him?

Ms Belcher—Yes.

Senator FAULKNER—That is Justice Owen?

Ms Belcher—That is right.

Senator ROBERT RAY—Getting a judge to do it is three times cheaper than getting a QC or a senior counsel, from the look of it.

Ms Belcher—Certainly the arrangement for the HIH royal commission is cheaper than the building and construction industry one.

Senator ROBERT RAY—If you get a Senate committee to do one of these it costs \$30,000 but a royal commission can cost \$60 million. We are cheap, aren't we?

Senator FAULKNER—What about the remuneration for Mr Cole QC, who is the building industry royal commissioner: how is his salary determined?

Ms Belcher—I need to remind myself of the precise details. I think an answer has been provided to another committee on that, but—

Senator FAULKNER—I am sorry, but I have not seen that.

Ms Belcher—I think it was a matter of the Attorney-General's Department having some discussions with Commissioner Cole; and possibly Finance had an involvement. That may not be quite right. PM&C was advised of the likely remuneration. We provided some advice, and then the amount was determined after discussions between ministers and the Prime Minister.

Senator FAULKNER—There is no role for the Remuneration Tribunal here?

Ms Belcher—No.

Senator FAULKNER—Is there any scale of remuneration for commissioners that you can draw on?

Ms Belcher—I suppose there is always some looking back to see what past commissioners might have been paid. It might well be determined on the basis of what the person is earning in current employment and what is required to attract someone to the position.

Senator FAULKNER—Mr Cole QC gets \$660,000 a year and Justice Owen gets \$226,689 a year. Those are the two current royal commissioners. Is that right?

Ms Belcher—Those figures sounds familiar. I do not know precisely.

Senator FAULKNER—So there is really no rhyme or reason to it except that Justice Owen is a judicial officer in Western Australia: is that the reason?

Ms Belcher—Yes.

Senator FAULKNER—Someone should have said to Justice Owen, ‘Look, you’d have been much better taking leave without pay and seeing if you could clip the Commonwealth for what Mr Cole gets.’ It doesn’t work that way?

Ms Belcher—Certainly no-one in PM&C put such a suggestion to him.

Senator ROBERT RAY—Royal commissions are very expensive, aren’t they? There is not a month that goes by that I do not hear a demand for a royal commission—say, into the Governor-General and previous activities in Queensland. People demand royal commissions. Has there been any sort of program to indicate what they cost to you—\$10 million, \$20 million, \$30 million, \$40 million or \$60 million?

Ms Belcher—I would have to agree that royal commissions are expensive, but I would need to look at the cost of recent ones if you wanted some indication of how much they do cost.

Senator ROBERT RAY—They are costly and they do not have to abide by the rules of evidence. They end up being the greatest collections of hearsay this side of the estimates committee, I would suggest.

Senator FAULKNER—I noted in your annual report, Ms Belcher, that the department assisted with arrangements to appoint the new Governor-General. Can you outline what that role was?

Ms Belcher—Yes. We prepared the documentation that needed to go to the palace—the oaths and so forth, and general paperwork—and arranged for the incoming Governor-General to be briefed on various aspects of his duties.

Senator FAULKNER—I was wondering about that. Do you do an incoming Governor-General’s brief?

Ms Belcher—Yes; I suppose you could say that.

Senator FAULKNER—Drawn up in your division, effectively.

Ms Belcher—Yes; with input from some others, of course.

Senator FAULKNER—Yes. How do the arrangements work here between PM&C’s responsibility and the Office of the Governor-General’s responsibility, in the sort of issues that you are talking about—paperwork for the palace and all of that sort of stuff.

Ms Belcher—From memory, that was done solely within PM&C. When it comes to briefing the new Governor-General, there would be some matters where his own office would brief him, but something like how the Executive Council works is done by PM&C.

Senator FAULKNER—Is this only a written briefing, or do you also do a face-to-face briefing with a new Governor-General?

Ms Belcher—There may have been some briefing, but I think it was all written.

Senator ROBERT RAY—How do you determine the salary? Do you not set it at a specific level and it cannot be changed for the life of the Governor-Generalship?

Ms Belcher—That is right. It cannot be changed during the term of the Governor-General. It is set at a figure that predicts the Chief Justice's salary, so that it would start above, and would be for the term.

Senator ROBERT RAY—Yes, so at mid-point it would probably be the same.

Ms Belcher—Yes, that is right.

Senator FAULKNER—But with Sir William Deane, there was some face-to-face briefing, was there, as opposed to an all written one?

Ms Belcher—I cannot remember that. I really would want to check.

Senator FAULKNER—Anyway, you are available to do a face-to-face briefing if the Governor-General wanted to have it.

Ms Belcher—Actually, Mr Moore-Wilton saw the new Governor-General and provided him with the briefing folder. So there would have been some discussion then.

Senator FAULKNER—That fills me full of confidence. I am very pleased to hear that. There was a face-to-face briefing?

Ms Belcher—Yes, Mr Moore-Wilton left the briefing folder with him, but discussed a number of issues.

Senator FAULKNER—And do you know what they were?

Ms Belcher—I think that he really ran briefly through the topics in the briefing folder and said, 'Here it is.'

Senator FAULKNER—Thank you for that. I have no further questions on the Governor-General.

Senator BRANDIS—I was following the discussion about the royal commissions. Did PM&C have responsibility for the Maralinga royal commission, do you know?

Ms Belcher—To the extent that the Prime Minister of the day was administering the legislation and we took responsibility for the records afterwards, yes, PM&C was responsible. I think that the secretary of that royal commission came from PM&C.

Senator BRANDIS—Ms Belcher, perhaps you cannot tell us off the top of your head, but I assume that when Mr McLelland he ran that royal commission he was remunerated on the same basis—that is, an ordinary, market determined professional fee—as have been other royal commissioners from the legal profession.

Ms Belcher—I do not know. I know it was a royal commission that had more than one commissioner, but I do not know.

Senator BRANDIS—I am thinking of Mr McLelland in particular.

Senator ROBERT RAY—Certainly, as an unctuous socialist, he did not give the Commonwealth a discount. I remember that.

Senator BRANDIS—I do not think I should ask any more, for fear of opening old and bitter wounds.

Senator ROBERT RAY—I have had the same view on royal commissions in government and out, by the way—not just now.

Senator BRANDIS—I am not questioning your bona fides, Senator Ray.

CHAIR—Are there any further questions on output 4?

Senator FAULKNER—Absolutely. But I thought we were waiting for the pearls of wisdom of Senator Brandis on the Maralinga royal commission.

Senator BRANDIS—No pearls of wisdom, Senator Faulkner. As I always try to explain to you, it is the answers that are the evidence, and not the questions.

Senator FAULKNER—We will take note of that, Senator Brandis. We will indeed. Could I ask perhaps some questions about the GCU? The annual report indicates that PM&C spent \$2.8 million supporting government communications. I thought I had included the page here, but I may not have and that is neither here nor there. That figure is correct, is it not? Are you going to take these questions, Mr Henderson?

Mr Henderson—I think most of them will be fielded by Mr Williams.

Senator FAULKNER—I thought that might be the case.

Mr Henderson—I am just wondering where this \$2.8 million is.

Senator FAULKNER—I did have my annual report here, but I fear I have left it in my office. I really do not want it to be sent up to me, by the way. Have I jotted down the right figure, Mr Williams?

Mr Williams—Yes, you have, Senator Faulkner—\$2.8 million. That figure looks high to me, but—

Senator FAULKNER—It looks high?

Mr Williams—Yes.

Senator FAULKNER—That is a fairly odd thing for you to say.

Mr Henderson—It includes the overheads.

Mr Williams—Well, that is correct. I tend to look at figures exclusive of overheads allocation.

Senator FAULKNER—Now that you have made that comment, I suppose it is best to be clear about what is actually included in the \$2.8 million.

Mr Henderson—Mr Williams can tell you what is in his work plan budget, but it includes corporate support, information technology and property operating—rent, cleaning and so on—overheads. They do not appear under our accrual system as a separate item, but they are apportioned across the divisions. That is why at first blush Mr Williams was wondering—

Senator FAULKNER—Sure. So are you able, Mr Henderson, to give us a dollar figure for those overheads in the \$2.8 million?

Mr Henderson—They are a bit over 10 per cent. Mr d'Angelo might be able to give us a precise figure. Perhaps we can come back to you on that. Mr Williams can certainly explain the components.

Senator FAULKNER—I appreciate the point you are making. Are you able to indicate the proportion that is overheads and the proportion that is the other expenditure. All these figures are tossed around, and Mr Williams appeared to have not even seen that one.

Mr Williams—I have seen it, Senator Faulkner. That figure includes both the cost of the Government Communications Unit and the cost of AUSPIC, which is a self-funding entity, and so that is in a sense the gross cost. The figure for AUSPIC is around \$600,000 or \$650,000. The gross figure for the Government Communications Unit—I might stand to be corrected here—is about \$1.6 million or \$1.7 million. That comes up to a total of about \$2.35 million, and the balance would be overheads.

Senator FAULKNER—And what is included in that \$1.6 million or \$1.7 million figure?

Mr Williams—That covers the salaries of the staff in the Government Communications Unit. There are 12 staff.

Senator FAULKNER—Salaries, yes.

Mr Williams—It covers salaries and it covers costs of equipment that we might purchase during the year, costs of travel and costs of ongoing things like telephones and computers. It also covers any consultancies that we may undertake.

Senator FAULKNER—For the preparation of the annual report, Mr Henderson, do you ever break any of these figures down? I assume there is some form of disaggregation.

Mr Henderson—Well, there is. \$2.8 million is a pretty small figure. It is a question of how disaggregated you want our budget. PM&C has a budget of \$44 million, excluding CHOGM. About \$28 million or \$29 million of that is remuneration. That includes superannuation and other overheads. It is small beer, compared to some other agencies, and so I guess it is a matter of how fine you want the slices.

Senator FAULKNER—I know it is. I accept that. I think you would have to acknowledge, Mr Henderson, that I rarely ask the department to disaggregate some of the figures contained either in the PBS or in the annual report. I do not think I do that very often, do I? Here is one occasion when I have.

Mr Henderson—For the whole department or for the GCU?

Senator FAULKNER—I am just asking it for the \$2.8 million.

Mr Henderson—Right. We can provide you with a disaggregation of that \$2.8 million.

Senator FAULKNER—I knew you could. Thank you very much indeed. I would appreciate it. Have we got an aggregated amount that the government spent on advertising during the last financial year or the last calendar year?

Mr Williams—For calendar year 2001 the media spend was \$117.3 million.

Senator FAULKNER—Do you break that up into—

Mr Williams—In addition to that, there was non-campaign expenditure of some \$31.2 million, giving a total of \$148.6 million.

Senator FAULKNER—Can you define, for the purposes of the record, ‘non-campaign expenditure’?

Mr Williams—Non-campaign expenditure is expenditure on job recruitment notices, tenders and public notices—in a sense, advertising that is not related to a campaign but is generally neutral and appears once or maybe twice on a particular topic.

Senator FAULKNER—Do you break that down at all into smaller chunks in terms of time? Do you do a six-monthly breakdown? What do you do for your own internal purposes? That is the calendar year figure. That is appreciated.

Mr Williams—We get monthly figures from the two agencies that place advertising on our behalf, but we tend to look at them in annual figures.

Senator FAULKNER—Do you get monthly figures for both media campaigns and non-campaign expenditure?

Mr Williams—Yes, we do.

Senator FAULKNER—Would you be able to—you may have it here; I do not know—take that on notice for the calendar year 2001?

Mr Williams—I do not have it here but I can take it on notice, yes.

Senator FAULKNER—Thanks very much. I appreciate that. I want to ask specifically about one campaign, which was a Centrelink campaign regarding payment errors. Are you aware of that particular campaign? I do not know what it was called, Mr Williams, and I do not know if that is an adequate description of it. It is the best I can do.

Mr Williams—I think the campaign you are talking about is our voluntary compliance campaign.

Senator FAULKNER—Yes.

Mr Williams—That is its working title. It encouraged voluntary compliance by beneficiary recipients.

Senator FAULKNER—Yes. Sorry; I was not sure what it was called. It seemed—I might be wrong—to run for only a pretty short period of time. Is that right? It seemed to run for a couple of weeks maybe, and then it seemed to slip away.

Mr Williams—The campaign commenced in mid-April and ran until early May. There was a further run of the campaign later in May—this is television advertising only—and there is a further projection for September. So it is basically a lower weight campaign, if I can use that term, running over a longer period.

Senator FAULKNER—Can you tell us the cost of that campaign?

Mr Williams—The estimated media spend will be a bit over \$4 million.

Senator FAULKNER—What proportion of that has been spent so far?

Mr Williams—I would have to take that on notice because this plan aggregates the figures, and so I cannot give you a breakdown at this stage. That \$4.2 million, if I round it, covers television, radio, newspapers, magazines, some outdoor advertising, as well as advertising in the non-English-speaking background newspapers and in the indigenous newspapers. So it is quite a comprehensive campaign.

Senator FAULKNER—And that includes the September burst too, does it?

Mr Williams—It does indeed.

Senator FAULKNER—That is projected expenditure, is it?

Mr Williams—Yes, that is correct.

Senator FAULKNER—It is \$4.2 million including September?

Mr Williams—Yes.

Senator FAULKNER—That in part explains why I thought I had probably missed one of the tranches.

Mr Williams—You may have, Senator.

Senator FAULKNER—Fair enough. Again, I may not have the correct terminology, and so correct me if I am wrong. I refer to what looked to be the recent New Apprenticeships scheme campaign. How is that looking?

Mr Williams—There is another round of apprenticeships campaign advertising, yes.

Senator FAULKNER—Another round? Why do you describe it as that?

Mr Williams—We have used the same creative, but we have run flights of advertising at different times. We are running another flight of advertising at the moment.

Senator FAULKNER—Could you give me the cost for that? I am talking here about the most recent round.

Mr Williams—Certainly. The net cost of the current flight of advertising, which includes television, radio, newspapers and non-English speaking background newspapers, is \$3.7 million.

Senator FAULKNER—When is that going to be completed by?

Mr Williams—That commenced in April and it will be completed towards the end of June.

Senator FAULKNER—The other specific thing I want to ask you about was how we are going in relation to the costs of defence recruitment. That seems to have been pretty heavy, of late. I might be wrong about that. Am I right to think that a lot of this advertising being shown during major sporting events?

Mr Williams—There is certainly a lot of it being shown during major sporting events, essentially because the target audience—young men and women between the ages of 17 and 25—are quite heavy watchers of that sort of programming.

Senator FAULKNER—Yes, but there is a pretty heavy premium for that too, isn't there?

Mr Williams—I would not wish to go into the detailed costing of that.

Senator FAULKNER—Why not?

Mr Williams—That is, in a sense, commercial-in-confidence—

Senator FAULKNER—Oh, come on!

Mr Williams—as to what we pay for our individual spots. I can give you the aggregate costs certainly, but a cost per spot—

Senator FAULKNER—You cannot tell me that it is commercial-in-confidence to say that it costs more to advertise during major sporting events than on many other occasions. It does, doesn't it?

Mr Williams—Can you rephrase that question? I did not quite catch the detail of it, Senator.

Senator Hill—Does it cost more to advertise during major sporting events than during other occasions?

Mr Williams—It depends on the nature of the sporting event and the overall audience.

Senator FAULKNER—Sporting event. If someone is showing the Sydney tiddlywinks championship, it may not be as significant as perhaps the State of Origin Rugby League, for instance?

Mr Williams—State of Origin football might be more expensive than Saturday night AFL in Sydney—both of them are major sporting events, but one has a vastly different following from the another.

Mr Henderson—The latter one is, anyway.

Senator FAULKNER—I am amazed that you would run out an excuse that it is commercial-in-confidence.

Mr Williams—I am just saying that in terms of the cost per spot—

Senator FAULKNER—I did not ask you about the cost per spot. I asked you about the general position that applied. I could have asked you about the cost per spot, but I did not and I am not going to.

Senator Hill—That is generally correct, is it not; the higher the ratings, the higher the cost?

Senator FAULKNER—Unless you provoke me, Mr Williams, and then I will.

Mr Henderson—What is the question?

Senator FAULKNER—I have asked a number of questions, Mr Henderson. I was just merely providing commentary while Mr Williams looks up the cost of the defence recruitment campaign. I was adlibbing to fill in the time.

Mr Williams—I can give you an aggregate of media cost on defence recruiting spending for the period July to March this year. That figure is \$19.6 million.

Senator FAULKNER—\$19.6 million for July to March this financial year?

Mr Williams—Yes, that is right. That expenditure was over a range of campaigns.

Senator FAULKNER—Has the frequency of defence recruiting increased across that time period?

Mr Williams—I have not got the previous year's figures, Senator—

Senator FAULKNER—Or is it pretty—

Mr Williams—If you will allow me a bit of latitude, the level of Defence Force Recruiting spending has been of the order of \$30 million a year for the 2000-01 year and 1999-2000. I would not want to be held specifically to that, but it has been of that order.

Senator FAULKNER—Would you expect it to be of that order this year?

Senator Hill—Last year, it was reduced in the end. It was reduced during the supplementary estimates process; and for this coming year it is less than \$30 million again.

Mr Williams—As I say, we spent \$19.6 million for the nine months this year. There are campaigns on at present. It will certainly go over \$20 million this financial year, but I am not sure to what extent.

Senator FAULKNER—But you are expecting it to be around \$30 million this financial year, are you?

Mr Williams—I do not think I would want to be held to \$30 million, but I suggest it may be—

Senator Hill—I think it is around \$20 million for this coming year; we have cut it back. We have taken decisions to cut it back. We will now find out whether it has been cut back.

Senator FAULKNER—Is that because of the Auditor-General's comments that the advertising campaigns were not particularly effective?

Senator Hill—No; it is just that we thought it was more money than we could afford.

Senator FAULKNER—Are they working, Senator Hill?

Senator Hill—The recruitment figures are improving. Some of that is presumably related to the advertising; some of it is related to the higher level of operations. Generally speaking, the feedback we get is that people are more interested in joining the military when they believe that they are going to be engaging in operations rather than exercises.

Senator FAULKNER—There is a trend, is there not? Inquiries are being attracted, but it is a question of actually getting people to go beyond making inquiries as a result of the advertising. To actually recruit them is a more substantial step.

Senator Hill—The major problem is the booming economy. The people we are looking for these days are quite highly skilled, and they have lots of alternatives in civilian life. But the last figures I have seen show an improvement, and there is a cautious optimism on the part of the defence recruitment people. As I said, I think part of it is related to what I think has been quite an imaginative and positive advertising campaign. I suspect that part of it is related to the fact that would-be recruits are more confident that they will be engaged in operations overseas, which is what they see themselves as signing up for.

Senator FAULKNER—I might be wrong about this, but it struck me that there are more Navy ads than ads for the other services; is that right? Could you give us a breakdown on the services, please?

Senator Hill—There have been a lot of Army ads for the East Timor campaign.

Senator FAULKNER—This is just an impression I have received. I am not a great television watcher, I suppose—not at the moment; it is the wrong season.

Mr Williams—The break-up between services of the \$19.6 million to which I referred earlier is \$2.9 million for Air Force, \$5.3 million for Army, \$4 million for Navy and \$7.3 million for what we categorise as tri-service.

Senator FAULKNER—ADF-wide.

Mr Williams—That is for the ADF. Very often, particularly when Defence Force Recruiting are advertising for pilots, they will be advertising for pilots for the RAAF, the Navy and the Army because they all have flying wings. They fall under the tri-service category, which covers all three services, including ADFA.

Senator FAULKNER—You may not know this, Mr Williams, but we are very fortunate in having Senator Hill here, who may. What governs that ratio? Does anyone know?

Senator Hill—It looks to me that it is almost in the proportions of the numbers within the ADF. The highest proportion is in the Army, the next is the Navy and the next is the Air Force.

Mr Williams—My understanding is that the Defence Force Recruiting Organisation receives targets for recruit numbers for individual services and for individual disciplines within services, and the recruiting effort goes to meet those requirements. That recruiting effort is a mixture of advertising, school visits, visits to shows, static displays—a whole range of activities to ensure that they get the numbers for the musterings that they are seeking to fill. It may vary from year to year because numbers are needed in particular musterings in particular services. It is not a static thing.

Senator FAULKNER—It is just the service requirements at the time, is it?

Mr Williams—Yes.

Senator FAULKNER—That is as you understand it, Senator Hill?

Senator Hill—It is almost a different way of saying the same thing.

Senator FAULKNER—I see. I just thought it was a different way of saying something different.

Senator Hill—If you look at the different size of the components, it is not surprising that they would be seeking to recruit in much the same proportions.

Senator FAULKNER—I will not ask you at this hour of night to explain that any further. Is there any concern about the response to the ads being good but actual recruitment still being slow? Is that still a concern? I am drawing a distinction between, if you like, inquiries about recruitment as opposed to actual recruitment. It has always been something of a problem, hasn't it, Senator Hill, for a long time?

Senator Hill—The data that I can remember looking at in terms of the numbers of inquiries has been very up and down over the years, as well. The real issue is the bottom line—the number of recruits we get.

Mr Williams—The conversion is the important part. The advertising and the other initiatives I have spoken of a moment ago will generate inquiries. The task of Defence Force Recruiting is to convert those inquiries into enlistments. Obviously, if you ask the Defence Force Recruiting Organisation they will be able to give you the detail, but in macro terms I believe they are achieving significant conversions into enlistments.

Senator FAULKNER—But you are happy with its effectiveness, are you, Senator Hill?

Senator Hill—I think there is another parliamentary committee looking into the recruitment issue at the moment and we have provided masses of detail.

Senator FAULKNER—Including on advertising?

Senator Hill—They may look at advertising, but the figures that I am referring to were the success rates, historical perspectives and the like. Sorry, I missed your last question.

Senator FAULKNER—I just said 'including advertising' in the other inquiry.

Senator Hill—I assume they will look at advertising. The inquiry is into recruitment.

Senator FAULKNER—Sure. On that basis, I do not want to spend too much time on it. But what about those advertising campaigns that are just around the corner, Mr Williams—what can you give us a heads up on? Any more tough on drugs or tax ads or the like?

Mr Williams—There is work being done on a 'Quarantine matters!' campaign, which is a three-year campaign which will raise community awareness of the importance of Australia's quarantine regulations and seek to increase compliance with quarantine.

Senator FAULKNER—And what is the budget for that campaign?

Mr Williams—The budget for that is, all up, of the order of \$8.3 million over three years.

Senator FAULKNER—What is the agency there?

Mr Williams—We are at very early stages there. We have selected a market research company and we have selected a PR company, but the advertising agency selection is still in the pitch stage.

Senator FAULKNER—Any others?

Mr Williams—Just a very small campaign. Some market research is being done. Each year there is a very small campaign advising new tertiary students about the HECS scheme.

Senator FAULKNER—Yes.

Mr Williams—I do not have a figure for the advertising, but normally that is about \$100,000, \$150,000 a year. I mentioned the New Apprenticeships campaign which is currently running. There is some early work being done on the Australians Working Together package.

Senator FAULKNER—What is that one about?

Mr Williams—That is a range of programs being administered by DEWR—the Department of Employment and Workplace Relations—and Family and Community Services. I think that is a several-year program and the total budget for that over a number of years is \$11.2 million. But stage 1 of that envisages—

Senator FAULKNER—Are there any tax campaigns coming, or tax dodgers campaigns?

Mr Williams—There is nothing that I am aware of for tax at the moment. There is a small campaign in prospect which will target Australian drinkers and people responsible for selling drink to educate people what a reasonable consumption is in terms of standard drinks. Again, a fairly small campaign over three years, for just over \$2 million. We are looking at a further run of the national youth alcohol campaign.

Senator FAULKNER—Could you just table a list of these, do you think? Would that be possible?

Mr Williams—I am happy to take that question on notice.

Senator FAULKNER—It might just save some time. But there is nothing in the area of BAS regulations or tax inspectors and the like?

Mr Williams—No, I have got nothing down for the tax office at the moment.

Senator FAULKNER—Right. Thanks for that. How is the GCU going in terms of expenditure on external communications consultants, for GCU seminars, this sort of thing?

Mr Williams—We have run a seminar program for communications officers in government departments. This year we are running 16 or 17. The details are on our web site, but I have got a list here if you are interested.

Senator FAULKNER—All the detail is on the web site, is it?

Mr Williams—Yes.

Senator FAULKNER—Including the amount of money spent on consultants for those?

Mr Williams—No. Generally with the media seminars we use Mitchell Media, who are our master placement agency for campaign advertising. That is done as part of their overall fee. We have various media groups come along and talk to Commonwealth officers. They range from television, radio, niche audiences, outdoor advertising, cinema advertising. We do not typically pay for those consultants; they come down and do the presentations. So the cost, if we have to pay anything to media consultants to deliver a seminar program, is normally the cost of an air fare to Canberra. We do not typically pay—

Senator FAULKNER—Consultancy fees.

Mr Williams—We do not typically pay consultancy fees. In fact, I cannot recall—

Senator FAULKNER—Are you keeping a list of how many attendees you are getting and where they are from?

Mr Williams—Yes. In our annual report last year we mentioned that we had facilitated 15 such seminars in 2000-01, and 228 staff from 17 departments attended. I would expect those numbers to be at least as big—indeed, if not more—for this financial year. It is part of our role to upgrade the skills of people in departments and agencies that need to put together communications campaigns.

Senator FAULKNER—Okay. The major campaign and non-campaign media placement contracts are up pretty soon, aren't they?

Mr Williams—They both expire on 30 November this year.

Senator FAULKNER—What are we up to? Are we in the stage of early processes for reletting those?

Mr Williams—Early preparations there, yes. We will engage legal advice, a probity auditor, and we will engage a procurement specialist to assist us. We are in the process of engaging people of that ilk.

Senator FAULKNER—Will this be an open tender process?

Mr Williams—It will be an RFT, open—yes. But given the size of our activity it will only attract people with the capacity to deal with that.

Senator FAULKNER—Do you give any advice through this, a general ballpark, about the anticipated value of these contracts? I appreciate there are some—

Mr Williams—What we say typically—last time around we gave an indication of previous spend and we indicated, I suppose, quite the contrary, that there is no guarantee that they are standing offers. So it is a contract.

Senator FAULKNER—The contracts will be let for the same period, will they?

Mr Williams—We are currently looking at that at the moment. We may have an option to extend this time around for one of them and we may shorten the initial term for the other, again with options to extend, but we have not firmed up on those ideas at the moment.

Senator FAULKNER—Some of these figures are obtainable from the annual report, aren't they?

Mr Williams—Certainly we direct them to annual reports. From recollection, in the RFT issued in 1998 we certainly gave an indication of the spend for the past couple of years, and for non-campaign advertising some idea of the number of accounts. Given that, as I mentioned earlier, the non-campaign advertising tends to be a large number of very small

transactions, it is useful for the tenderers to know a bit about the population they will be dealing with, so we would endeavour to do that. We also have an industry briefing seminar where we indicate that people who are wishing to respond to an RFT should attend so that we are briefing everyone on a level playing field.

Senator FAULKNER—This will be finalised by November, will it?

Mr Williams—Yes, it will.

Senator FAULKNER—For both?

Mr Williams—Both.

Senator FAULKNER—The annual report in appendix 3 lists the advertising and market research. Has any thought been given to indicate some additional information—this is more for you in a sense, Mr Henderson—about whether these are subject to competitive tenders or what the tendering arrangements might have been? Has any thought been given to that additional information being provided in the annual report?

Mr Henderson—No, it has not. What is your suggestion, Senator?

Senator FAULKNER—I just wondered if you had given some thought to that, that is all.

Mr Henderson—I have certainly been prompted to reconsider the structure of appendix 4. I have already accepted the point that a column which is 99 per cent ‘no’ is not all that helpful for the reader. In relation to appendix 3—

Senator FAULKNER—That is the point, isn’t it: it seemed to me that an asterisk instead of the column might be better. The information is important. You appreciate that I was not making a suggestion at all that there be less information provided. I think the nature of the tendering process is important for this sort of consultancy services, market research, advertising and the like; I think there is a public interest there. So I would commend that to you.

Mr Henderson—We will give it consideration.

Senator FAULKNER—You might pass it on before you leave PM&C.

Mr Henderson—Yes, Senator. It was one of the pleasures not having to tick off on the annual report this year.

Senator FAULKNER—I’ll bet! Mr Williams, do you keep the sort of material contained in appendix 3 worked up, or do you work it up for the annual report in a job lot, effectively? Or do you just try to keep this up to date as you go and then lodge relevant time periods in the annual report?

Mr Williams—Appendix 3 is in a sense coordinated by Mr Oliver’s branch, because it reflects expenditure by different elements within the department. For example, government communications this year has only one entry. So Mr Oliver would maintain, if anything, a central picture on advertising and market research by the department. Where the market research or other consultancies would relate to an information campaign, then clearly we would be aware of which consultancies had been appointed.

Senator FAULKNER—It comes down to these principles, doesn’t it, Mr Henderson? It is reasonable for a parliamentary committee like this to know what market research is conducted by PM&C. You would accept that as a first principle, wouldn’t you?

Mr Henderson—Yes.

Senator FAULKNER—You would accept that it is proper for a committee like this to know whether it is in-house or contracted out? It is very likely to be contracted out, but nevertheless that is reasonable, isn't it?

Mr Henderson—Yes.

Senator FAULKNER—It is reasonable for us to know what topics are covered by such market research in the broad?

Mr Henderson—Yes.

Senator FAULKNER—It is reasonable for us to know the nature of the tenders—if they were restricted tenders or competitive tenders?

Mr Henderson—I accept that, and the last one you mentioned is not picked up here: whether it is public or from a panel or selective.

Senator FAULKNER—I am just going through the principles here. Do you accept it is reasonable for a list of applicants for each tender to be provided?

Mr Henderson—Numbers maybe. The unsuccessful tenderers do not regard that as very helpful.

Senator FAULKNER—Numbers?

Mr Henderson—Numbers maybe.

Senator FAULKNER—Maybe? Sometimes we canvass unsuccessful tenderers, don't we? It is not unheard of. I am just trying to find out what you think is reasonable and what you do not think is reasonable.

Mr Henderson—I would like to think about that one.

Senator FAULKNER—Obviously the winning contractor. Do you think it is reasonable to make public the selection criteria for the tender?

Mr Henderson—Selection criteria?

Senator FAULKNER—Yes.

Mr Henderson—Maybe. That would get into a matter of forest policy, I would have thought. We have been trying to slim these annual reports down. The criteria would often be quite a number, but if they are—

Senator FAULKNER—I am just asking about the general principles, not necessarily whether they go into appendices or not. Do you think it is reasonable that we know whether the Ministerial Committee on Government Communications is involved and, if so, what their involvement is?

Mr Henderson—Well, yes, maybe. I am wondering how relevant that is. We know they are involved in all campaign related market research. I do not know—I will have to have a think about this.

Senator FAULKNER—What about providing committees like this with research briefs and research findings? What do you think about that as a general principle?

Mr Henderson—I think they generally have—

Senator FAULKNER—Selectively, not generally.

Mr Henderson—Let me take that one on notice.

Senator FAULKNER—For all those parts that you do find reasonable, and I will be interested in what you have taken on notice to come back to me.

Mr Henderson—These appendices—

Senator FAULKNER—I am not asking it in relation to the annual report. I am asking it for a question on notice that I am going to give now to Mr Williams. You interpreted this as for the annual report. I do think it is important, on a serious note, for these appendices. If they are works generated within the department, they may as well be as useful as they can, and they may as well save us as much time as they can at committees like this and provide the public with as much transparency about the operations of the department as is deemed appropriate. But for these purposes, in relation to that category of information, could I ask for an updated list of market research that has been commissioned by PM&C in 2000-01? I wonder if all of those issues that have been canvassed and that you have accepted ought to be made public could be appended to the answer in relation to each individual piece of research.

Mr Henderson—We will do that. Can I just say that if you are going to load up more information—and I accept there is a case for some—the threshold for appendix 3 is \$1,500. That is really not much. And in other contexts it is \$2,000, I think. I would have thought if you are going to have more information, I would be raising the bar a bit.

Senator FAULKNER—That is fair enough. You could properly make the point also that while this may not be a major burden on your department, in other departments this would become a monstrous burden—

Mr Henderson—A nightmare.

Senator FAULKNER—and a nightmare. I accept that. I think that is why you have to be sensible about these sorts of things. It is more the general principles that are involved. My general point is that if it is to be done let us have as much utility as possible for all of those who have an interest, not just people who happen to have the advantage of sitting on a committee like we do.

Mr Williams, is the Prime Minister's web site maintained or updated, or whatever is the correct terminology—is that a responsibility of the GCU?

Mr Williams—It is a responsibility of my division, but Dr Ball would be best placed to answer that. If she is not here I can take it on notice.

Mr Henderson—I think she is here.

Senator FAULKNER—I fear she may blind me with science here. It is a terrible risk.

Mr Henderson—We have already offended her once today. She is quite capable of a good lay explanation.

Senator FAULKNER—Dr Ball, I was asking if this is maintained by your division.

Dr Ball—My branch has responsibility for maintaining it. The actual work is outsourced to an external company.

Senator FAULKNER—What company is that?

Dr Ball—SafetyWeb.

Senator FAULKNER—What do they do in relation to this web site?

Dr Ball—They make changes to the site as required. That could be the look and feel of the site. But a lot of the uploading of content is done by the PMO.

Senator ROBERT RAY—How much do you pay this outsourcer? Senator Faulkner might go on with his questions and we will get an answer to that in due course.

Dr Ball—Sure.

Senator FAULKNER—Is it the Prime Minister's press office that updates it, that provide the information?

Dr Ball—Yes, they put the media releases on there.

Senator FAULKNER—Is it only the Prime Minister's press office or is it the Prime Minister's Office more generally?

Dr Ball—No, it is my understanding that it is the press office.

Senator FAULKNER—Do SafetyWeb have a contact person they deal with or a number of contact people?

Dr Ball—I am not sure who they deal with in the press office. A lot of the work is done through my people negotiating between the two parties.

Senator FAULKNER—Is it fair to say—I am no expert in this—that this is a bit of a new look web site?

Dr Ball—New in what sense, Senator?

Senator FAULKNER—Jazzy. You have really stumped me now, Dr Ball. I knew you would ask me something like that. It looks pretty flash. How about that? That is what I would say.

Dr Ball—It is a blue colour.

Senator FAULKNER—That is pretty flash, isn't it?

Mr Henderson—We are taking it step by step here!

Senator FAULKNER—Well, it has been renovated since we last met at estimates, hasn't it?

Dr Ball—When did we last meet? That was back in February. I do not think there have been major changes.

Senator FAULKNER—No, that is when they had the dud children's questionnaire that named out-of-date female cabinet ministers. That has all gone. It has all been spruced up since then.

Dr Ball—That has been fixed, yes.

Senator FAULKNER—Yes. Who fixed that?

Dr Ball—I would imagine that the press office would have fixed that information.

Senator FAULKNER—In the contact section of this web site, is there a contact list of ministers that does not include contact numbers?

Dr Ball—I could not say without looking. I would need to take that on notice.

Senator FAULKNER—Or contact addresses?

Dr Ball—I would not know the answer to that.

Senator FAULKNER—Or email addresses?

Dr Ball—For ministers?

Senator FAULKNER—Yes.

Dr Ball—I have no knowledge of what information we have on there on ministers.

Senator FAULKNER—Let us go to page 2 of the latest quiz for kids and question 9. I wonder what you think is the answer to this question. ‘This year Australia is celebrating the ...’ and here are your three choices—I am going to test you out here, Dr Ball.

Dr Ball—Remember I am an IT person, Senator.

Senator FAULKNER—I know you are an IT person, but you will have no trouble with this.

Senator ROBERT RAY—We will give you three lifelines.

Mr Henderson—Queen’s jubilee.

Senator FAULKNER—You have answered it, Mr Henderson?

Mr Henderson—I just guessed it.

Senator FAULKNER—You had a guess? Could you say that again?

Mr Henderson—The Queen’s jubilee.

Senator FAULKNER—Okay. Good guess. Now let us see what the answers available on the PM’s web site are. You have a choice of: bicentennial, centenary of Federation or Olympics. You’re stumped, you’re gone, Mr Henderson.

Mr Henderson—I am. Are you trying to suggest that that question is out of date?

Senator FAULKNER—Far be it for me to suggest it is out of date, Mr Henderson. It just seems to be plain wrong, as far as I can see.

Senator Hill—Mr Chairman, this is a lot of fun.

CHAIR—Senator Faulkner is auditioning for the new Tony Barber.

Senator Hill—We have had a good discussion on whether money is being well spent on recruitment. I am not sure that money is being well spent here just at the moment.

Senator ROBERT RAY—Okay. We will just find out how much it costs. You must know by now how much it costs to outsource this. No?

Dr Ball—In response to your question of cost, we do not have those costs with us. I will have to take that on notice.

Senator FAULKNER—Senator Hill made that comment because in the question ‘Who is Australia’s Deputy Prime Minister?’ he is one of the possible answers. In this particular case, the correct answer is also provided.

Senator Hill—So what is wrong?

Senator FAULKNER—Were you aware that you were a wrong answer, Senator Hill?

Senator ROBERT RAY—Where do you rank in the government these days, Senator Hill?

Senator Hill—I am still under all of the Nats.

Senator ROBERT RAY—What?

Senator Hill—I am still below two Nats.

Senator ROBERT RAY—It is demeaning for the Senate.

Senator Hill—It might have changed with amalgamation though, you see.

Senator FAULKNER—What I found amazing on this web site—it is not much use to me—what is incredible with the contact lists on the web site, is that there are no phone numbers or addresses or email addresses for the ministry, but once you get over to the contact list for the federal parliament’s press gallery, every single person has got their name and direct phone number. Don’t you think that is a bit odd, Senator Hill? Or is it a way to get back at the gallery?

Senator Hill—I do not know.

Senator FAULKNER—You do not know?

Senator Hill—Do you want me to seriously address the question?

Senator FAULKNER—I did think it was a bit odd that people were not given a phone number or contact address for a minister but all the direct numbers for members of the parliamentary press gallery were there. I do not expect you to ring them. Then in another section for kids entitled ‘Where does the Prime Minister live?’ I found this quite extraordinary: the first place is the Lodge; and after that, as a second, alternative address, is Kirribilli House.

Senator Hill—That sounds accurate, doesn’t it?

Senator ROBERT RAY—Expect the history of that ends in 1957!

Senator FAULKNER—It is pretty out of date still. You can get this fixed, can’t you, Mr Henderson? After the embarrassment of your guess—though, mind you, it was a very correct answer—you will be pilloried by someone in the Prime Minister’s Office, I am sure, because it was not one of the answers that was available on the web site.

One question about a question on notice, PM 23, from the additional estimates. It is a question I was asking on the advertising campaign highlighting the Backing Australia’s Ability program. I just wondered: was that updated at all? It may have been answered by now. It has not been provided to me.

Mr Henderson—No, it has not, and we can provide that answer to you right now.

Senator FAULKNER—I would appreciate that; I will look at it later. Thanks you very much. Did we have any luck with your CERHOS division, if you like, with the costs of the Queen’s visit in March this year?

Mr Henderson—No, we have not got the costs for either that or the January-February United States and Indonesia trip. I have not got them here, but some of the costs to be met by the department have been paid, but we would rather wait until we get the final ones in on that. Of course, the other element of the expense of overseas trips are those met by DOFA, and in the time available we did not ask them to pull these figures together. As soon as the bills are paid and we have got a final complete figure for each trip we would provide those to the committee. Obviously in the case of the January-February trip I would hope they would be on time for the—was it 10 July?—time line for these hearings.

Senator FAULKNER—You are aware of the issues that I asked you to canvass in this. If you have not got it available, so be it. I do not want to get bogged down on it.

Mr Henderson—The issues? You said the itinerary?

Senator FAULKNER—The itinerary for the first trip was provided. I think I indicated that to you some time ago. That was provided, as I understand it, in answer to a question on notice.

Senator ROBERT RAY—I also wanted to follow up on Mr Howard's attendance at the Queen Mother's funeral.

Mr Henderson—Yes.

Senator ROBERT RAY—I phrased a question without having the quote in front of me. Now I have the quote in front of me, so I would like to read that first of all:

... I think it's appropriate given the role of the Queen Mother and particularly the identification with her of many Australians of World War II generation, I think it's appropriate that I represent the country—

Mr Howard told Melbourne radio 3AW—

and if I'm going it wouldn't be appropriate for the Governor General to go as well. It would be unusual to have both of us at something like that ... there's some kind of protocol that suggests you don't have a Prime Minister and a Governor General simultaneously representing the country.

My question is: what is the protocol? Is it in writing somewhere? Where can you assist me in finding out what the Prime Minister is referring to?

Mr Henderson—No. You will recall earlier today—the word was 'precedent'. It is protocol. I am not sure. All I can say on that is the Prime Minister decided, as he has indicated there, and in fact that is exactly how New Zealand and Canada were represented—namely, by prime ministers.

Senator ROBERT RAY—Sorry, I am not going to the appropriateness of whether the Prime Minister should or should not have been there.

Mr Henderson—I will have to take it on notice as to the issue of what protocol he is referring to there. That was your question?

Senator ROBERT RAY—Yes. I do not know of one. I do not know where it is. I do not know whether he just made it up on the spot to get out from under. This is what I am interested in finding out—whether there is some protocol that they do not appear at the same function overseas. I have not heard of it, that is all. He goes on in that interview to say:

One of the by-products ... of attendance at something like this is that it does give you unexpectedly the opportunity to have some, in the margins, discussions ... about a whole range of subjects.

Did that occur?

Mr Henderson—I will have to check. In other interview transcripts I saw there was reference to discussions with, I think, the Canadian and the New Zealand prime ministers in respect to Zimbabwe. But I will have to confirm for you what discussions did take place with other heads of government.

Senator ROBERT RAY—Okay.

Senator FAULKNER—The issues I was looking for in relation to the trips, Mr Henderson, so that we are very clear: I think I mentioned to you costs—a breakdown of the cost, if that is possible—and I also asked you for those that were travelling with the Prime Minister on those occasions.

Mr Henderson—I have those lists of the parties travelling at the taxpayers' expense for both trips. I can table those.

Senator FAULKNER—Thank you very much.

Mr Henderson—It also includes the itineraries.

Senator FAULKNER—As I have said in relation to the New York—

Mr Henderson—Yes, you have the little bundles, but I do not think you have got the itineraries.

Senator FAULKNER—Just have a look at the New York trip. On Monday, 28 January Mr Howard was travelling to New York. That is fair enough. On Tuesday, 29 January he had breakfast with Mr Kissinger, which took 1½ hours, with nothing else that day. That is right, is it not? There were no other official functions that day?

Mr Henderson—Mr Potts may be able to assist us here. He was a member of the party.

Senator FAULKNER—Did you hear that, Mr Potts?

Mr Potts—Yes, Senator, I did. On Tuesday, 29 January there was a breakfast meeting with Dr Kissinger, as you said.

Senator ROBERT RAY—What else on that day, though, was official?

Mr Potts—No official engagements beyond that.

Senator FAULKNER—That took 1½ hours, did it?

Mr Potts—It went a little over, from my recollection.

Senator FAULKNER—How long did it take?

Mr Potts—About one hour 40.

Senator FAULKNER—On Wednesday, 30 January he started at 11 a.m. and finished at 3.50 p.m. That included a visit to Ground Zero, I think. I am well aware of the visit that the Prime Minister made there, which of course was very appropriate. But I can only go off the information that was tabled. That is right, is it not, Mr Potts?

Mr Potts—No. The day was significantly more extensive.

Senator FAULKNER—Hang on! As I understood it, the official part of the day commenced at 11 a.m., included lunch with the American Jewish Committee, and also included a visit to Ground Zero.

Mr Potts—No; the official day began at 9.10 a.m.

Senator FAULKNER—What happened then?

Mr Potts—He went to the United Nations. He had a meeting with Sergio Vieira de Mello, the Secretary-General's Special Representative in East Timor. He then addressed the Security Council. He then met with the President of the Security Council. He went back to the Security Council then for Mr Vieira de Mello's presentation. He did a media doorstep. From there he went to the American Jewish Committee for their lunch. After that, he went to the World Trade Centre, as you said. He then went to City Hall to call on Mayor Bloomberg. Late that afternoon he returned to the hotel.

Senator FAULKNER—I am not going to bother batting on with this, Mr Henderson. All I can say is that I am dependent on the answers to the questions on notice that you provided, which show that at 11 a.m. the day commenced with a meeting with His Excellency the President of the United Nations Security Council at United Nations headquarters and state the time of the return to the hotel. I assume there are some differences. What Mr Potts says may

well be accurate and your answer to the question on notice may not be. Can you look at your question on notice answer, so we can see what I am talking about?

Mr Henderson—I am not sure that I can, Senator. But I accept there seems to be an inconsistency there. Mr Potts has outlined a very busy day, and your version started at 11 a.m. I cannot explain that difference.

Senator FAULKNER—Can somebody give Mr Henderson a copy of this question on notice? It is PM 28 from the additional estimates of 18 February.

Mr Henderson—We will have to take it on notice to reconcile those things. Mr Potts has suggested to you that the way with those events is that often there is an initial itinerary prepared on the basis of things that are confirmed and commitments that are firm in advance of departure, but by the time you arrive at the post they have finalised.

Senator FAULKNER—I do not want to be judgmental about these issues if I am dealing with wrong information. It appears that I may have been provided with wrong information. As I say, I do not want to jump to conclusions if that is the case.

Mr Henderson—‘Incomplete’ information, I would accept.

Senator FAULKNER—It seems wrong, frankly. This itinerary was supplied well after the visit, I have to say. Anyway, if it is wrong, so be it. Let us just deal with that one day. I am not going to go through it all.

Mr Henderson—What are you reading from? The committee has just handed me this and it seems to align with what Mr Potts is saying.

Senator FAULKNER—For Tuesday, 29 January, it says an 8 a.m. breakfast meeting with Dr Kissinger and a 9.30 a.m. return to the hotel. I jumped to the conclusion, stupidly, that that was an hour and 30 minutes. But I have just been told it was an hour and 40 minutes. Then I assumed that the day of Wednesday, 30 January began at 11 a.m. Mr Potts has told me—and I accept it—that it began at 9 a.m. Do you understand the point?

Mr Henderson—Yes; I understand the point.

Senator FAULKNER—Mr Potts, would you just run through Wednesday again for me, please?

Mr Potts—By all means. It lists a 9.10 a.m. departure for UN headquarters, a 9.25 a.m. arrival and a 9.30 a.m. meeting with the Secretary-General’s Special Rep—

Senator FAULKNER—Stop there. There is no need to go on. You see the discrepancy?

Mr Henderson—Yes, I do, Senator.

Senator FAULKNER—I am not going to bat on with this. If someone could just sort it out on notice, I would appreciate it. As I said, I do not want to jump to conclusions about this if the information that I am given is wrong. I would like it to be right. You know how fair I am in these things, Mr Henderson.

Mr Henderson—That is right.

Senator FAULKNER—The way to deal with this is to take my original question on notice, and perhaps Mr Potts can help coordinate the answer to it. We will worry about it at a later stage.

Mr Henderson—We can reconcile it during the break.

Senator FAULKNER—There is no need.

Mr Henderson—We have already unearthed—

Senator FAULKNER—It was all different, Mr Henderson, so let us not worry about it. I do not think it is important enough for us to get bogged down in it. It is worth while checking the other days as well. But there is a point here of course that that answer was provided after the trip.

Mr Henderson—Yes, I accept that there is an error here. I have conceded that.

Senator FAULKNER—It is not a big deal. Let us get, in the fullness of time, the right answer. That is the best way of dealing with it. Would you agree?

Mr Henderson—Yes, I agree.

Proceedings suspended from 9.39 p.m. to 9.59 p.m.

CHAIR—I call the committee to order. The committee is continuing its examination of output 4. Senator Faulkner has questions.

Senator FAULKNER—Is Mr Bourne still a consultant?

Mr Henderson—Yes, he is still a consultant.

Senator FAULKNER—When does his consultancy end? Or has he been re-engaged?

Mr Henderson—It was for three years.

Senator Hill—He was the wine consultant. I have been waiting all day to hear the latest on the cellars!

Senator FAULKNER—Would you like to ask the question, Senator Hill?

Mr Crane—Senator, the agreement with Mr Bourne was entered into in October 1999 and it was for a period of three years. It expires this year.

Senator FAULKNER—He is with us till October 2002?

Mr Crane—That is correct.

Senator FAULKNER—What is the status of the collection now—the cellar?

Mr Crane—From the initial purchase of the wines recommended by Mr Bourne, we still have seven dozen in storage.

Senator FAULKNER—How many dozen have been quaffed?

Mr Crane—The original order was for 58 dozen.

Senator FAULKNER—So 51 dozen have been quaffed and seven dozen remain?

Mr Crane—That is correct. The initial purchase was in early 2000.

Senator FAULKNER—For some of the wine there was a plan, wasn't there, to mature it over several years? Is that included in the seven dozen?

Mr Crane—No, Senator.

Senator FAULKNER—So the wine that was supposed to be matured has been drunk?

Mr Crane—No, Senator, it has not. That wine has not been purchased yet.

Senator FAULKNER—It has not been purchased. It is maturing somewhere else?

Mr Crane—It has not been purchased.

Senator FAULKNER—Is it going to be purchased?

Mr Crane—I am not aware of whether it will be or not.

Senator FAULKNER—Who makes that decision? He made recommendations about that, didn't he?

Mr Crane—Yes, he has made some recommendations about those wines.

Senator FAULKNER—Have the wine consultant's recommendations been ignored?

Mr Henderson—No; they have not been acted on yet, Senator.

Senator FAULKNER—Are they going to be acted on?

Mr Henderson—That would be a matter for discussion with the Prime Minister.

Senator FAULKNER—The Prime Minister himself will make that decision?

Mr Henderson—No. The Official Establishments Unit and the staff.

Senator FAULKNER—Wasn't the idea to purchase it early in the period of the wine consultant's consultancy so it would be cheaper, and then it would taste a little more expensive at a later stage? Wasn't that the general principle?

Mr Henderson—That was an intention, yes.

Senator FAULKNER—What happened to that intention?

Mr Henderson—I would say there is a degree of caution in the purchasing policy associated with the degree of attraction this topic generates here. It impacts on a number of aspects of the official establishments—

Senator FAULKNER—You are blaming me, Mr Henderson?

Mr Henderson—It is a feature of a number of things associated with the official establishments. In 1986 Prime Minister Hawke, probably for similar sorts of reasons at that time, replaced the slate on the top of the Lodge. It will soon be time to replace it; but in fact you can purchase slate that lasts several decades. The extent of attention given to this topic does sometimes have counterproductive consequences from the point of view of the taxpayer; and I am saying that in a serious way—

Senator FAULKNER—It is an interesting analogy. If I were to draw an analogy with wine, I do not think I would have used a roofing material.

Mr Henderson—I was trying to demonstrate an economic proposition, not comparing them in terms of the services.

Senator FAULKNER—Is the decision likely to be made about the purchasing of the cellar for posterity before the end of the wine consultant's consultancy?

Mr Henderson—He has made his recommendations.

Senator FAULKNER—I know; I was hectoring about those recommendations at one point—about how important it was to do this.

Mr Henderson—We do not need him to act on those recommendations. He has made the recommendations.

Senator FAULKNER—I am saying that I was hectoring about how important this was and what a cost-saving exercise it would be if we did that.

Senator Hill—But wines were purchased according to his advice. Given the way in which wine prices have soared, I suspect that it has probably led to a significant saving over simply purchasing them as the requirement exists.

Senator FAULKNER—I do not know why the Prime Minister did not engage you as the consultant, Senator Hill, with that sort of expertise!

Senator Hill—I am not sure either.

Mr Henderson—He has offered himself previously. That is the trouble. He would just recommend South Australian wines. That would be the problem.

Senator FAULKNER—Are you sure that the wines that were supposed to be cellared for a long period of time were not just part of the 51 dozen bottles that have been drunk?

Mr Crane—No, they were not.

Senator FAULKNER—They were a different lot?

Mr Crane—That is correct.

Senator FAULKNER—Have we found yet a more efficient way of storing and transporting the wine?

Mr Crane—That wine is still stored off site.

Senator FAULKNER—Is it still transported in the same old way?

Mr Crane—It is transported to Sydney on occasions.

Senator FAULKNER—I know that. How is it transported to Sydney?

Mr Crane—It is either sent with a contractor or, on occasions, if there has been a requirement for staff from the Official Establishments Unit to travel to Sydney, they can transport it then.

Senator FAULKNER—What? Do they just stick it in the back of the train?

Mr Crane—A vehicle.

Senator FAULKNER—I thought for a minute they came by train. They stick it in the back of a car? That is a significant change from the way it used to be transported, isn't it?

Mr Crane—Not really, no.

Senator FAULKNER—It was done by a contractor, before, wasn't it?

Mr Crane—I understand it has been done by a contractor. If someone from the Official Establishments Unit is travelling to Sydney in any event, it is certainly more cost-effective to transport it that way.

Mr Oliver—The arrangements have not changed regarding the transportation of the wine.

Senator FAULKNER—Is it stored in Canberra still?

Mr Oliver—Yes.

Senator FAULKNER—Where in Canberra?

Mr Henderson—Out in Belconnen.

Senator FAULKNER—Where in Belconnen? It is not down under a tree in the park?

Mr Henderson—No; it is at the Candamber wine supplies temperature controlled storage facilities.

Senator FAULKNER—So every time there is a party basically wine is brought to Sydney by either a contractor or in the back of someone's car?

Mr Crane—No. Sometimes the wine is also purchased locally.

Senator FAULKNER—Yes, but if the wine consultant's wine is to be used, it is brought to Sydney either in the back of a car or by a contractor. I am sure you buy some wine as well in Sydney.

Mr Crane—Some wine is kept on hand—

Senator FAULKNER—But this stuff is special, is it not?

Mr Crane—Senator, I would not regard it as special. It depends on your interpretation of what special is.

Senator FAULKNER—Well, this has been recommended by a wine consultant. That was the whole idea, was it not?

Mr Henderson—Yes. It is safer to rely on a wine consultant than it would be to rely on your average PM&C official. Some of my colleagues might take offence at that, but in general we let a consultancy to—

Senator FAULKNER—No-one on this committee takes offence, Mr Henderson.

Mr Henderson—I was talking about my colleagues in the department, Senator. I am not—

Senator FAULKNER—What do they take offence at?

Senator Hill—They think they could do the job.

Senator FAULKNER—Senator Hill thinks he could do the job.

Mr Henderson—Yes, I know, but we have isolated the issue. South Australians cannot be relied upon to give a balanced selection.

Senator Hill—It would certainly be balanced. It would be all South Australian.

CHAIR—With some Queensland wines amongst them.

Senator Hill—Queensland wines!

Senator FAULKNER—Sometimes when there is a party at party central there at Kirribilli the wine is brought up from the storage at Canberra? You are running short anyway, are you not? Fifty-one dozen have been drunk and you have only six dozen to go. Are there any plans to replace the Canberra stash?

Mr Crane—Not at this point in time, Senator.

Senator FAULKNER—What do you think, Mr Henderson? It will be just drunk down?

Mr Henderson—We can brief you at the next estimates on how this emerging issue is resolved.

Senator FAULKNER—'We'?

Mr Henderson—The department.

Senator FAULKNER—I am going to miss the benefit of your expertise on this particular matter, Mr Henderson. I know you have studied it closely now for some time, and I appreciate what you have been able to inform us about it. Anyway, at this stage you do not know of any planned restocking?

Mr Henderson—No.

Senator FAULKNER—I look forward to your successors, Mr Henderson, keeping me informed of the latest developments.

Senator FORSHAW—Could we actually move from the gold medal wines back to the Centenary medals, the medals we were discussing earlier today. Thank you, Mr O'Neill. You recall that before we adjourned at lunchtime I asked a series of questions about the announcement by the Prime Minister on 8 May regarding the awarding of the Centenary medals. Can I first ask you about the consultancy that was listed in the annual report on page 167 for Interim Technology Solutions Pty Ltd—an amount of \$37,499, which was to develop and implement a database to manage the Centenary medals stage 2. What is stage 2?

Mr O'Neill—Stage 1 obviously was before stage 2. Stage 1 was the beginnings of the system, which enabled the names of people and their details to be input into a database and processed to Government House. Stage 2 reflected the changes that were made to the arrangements by the Prime Minister when he announced the creation of the medal at the end of 2001.

Senator FORSHAW—Thank you for that. I had in my mind that there being two distinct groups as recipients might have had something to do with it, but you have clarified that. Could you tell me again—I am sorry if I am covering some old ground, but I am new to this committee—just what were the changes that the Prime Minister announced?

Mr O'Neill—The principal change was that, in respect of the Commonwealth, the majority of medals were to be awarded by ministers, principally, looking at areas of achievement through the eyes of their portfolio. As Mr Henderson pointed out, there was comment in respect of this committee. As a consequence of that and other issues, and our experience with other medals, it was decided that the principal allocation for the Commonwealth would be done by federal members of the parliament. In respect of the states there was no change to quotas, so it is principally in respect of the Commonwealth arrangements.

Senator FORSHAW—I will not ask you to detail that for me now. I assume that sort of information has been provided in earlier hearings.

Mr O'Neill—It was also provided to you by Senator Heffernan in his letter of a few months ago when he explained the approved arrangements.

Senator FORSHAW—Sent to me as a senator?

Mr O'Neill—Yes.

Senator FORSHAW—I had better go back and refresh my memory on Senator Heffernan's correspondence. How many medals are there to be awarded or presented overall?

Mr O'Neill—Up to 18,000.

Senator FORSHAW—Of those 18,000—this is the particular area I wanted to get some detail on tonight—the Prime Minister has said that there are around 3,000 centenarians who will receive the medal. Is that correct?

Mr O'Neill—That is based on the Australian Bureau of Statistics estimates.

Senator FORSHAW—You have answered my next question. That was the basis for it. There is nothing more concrete than that?

Mr O'Neill—There is no accurate figure. Obviously there may well be details of individuals. For example, in the states, which maintain births and deaths registers, there is no

correlation. Similarly, people do not necessarily live where they were born, nor did they necessarily live where they are registered for death. So it does get a bit complex in that regard. There are details held by agencies, but privacy provisions deny access to those.

Senator FORSHAW—That is what I would like to explore. One of my concerns is that this is an announcement that was made in December last year by the Prime Minister. There was contemplation some time ago about having a Centenary medal. Given the age of people who have reached the grand age of 100 years or more, I would have thought there would be an incentive to ensure that those medals were awarded as quickly as possible. I would have also thought it would happen, hopefully—coincidentally, if you like—as close as possible to the celebration of the centenary year. Was that ever considered?

Mr O'Neill—I should point out that the qualification for the centenarians was not only for persons who entered last year at 100 years or more but also for persons who turned 100. So up to 31 December 2001 there was eligibility. The scheme is running in 2002. That is a fact. It was announced at the end of the year and is now being administered. I checked the figures after we adjourned for lunch and we have got roughly half of the centenarians in. The majority have been processed and their medals have—

Senator FORSHAW—I will come back to that in a minute. I think you know what I am driving at, Mr O'Neill. Just to be a bit clearer, I would not have thought that, with all of the resources available to the agencies at Commonwealth level and in cooperation with states, it would be too difficult to ascertain a reasonably accurate list of Australian citizens who had either turned 100 before 31 December 2001 or were likely to do so. I understand you have referred to privacy considerations, but how serious is that consideration given that this information is held by a number of both state and Commonwealth agencies and can be fairly readily accessed for a legitimate purpose like this?

Mr O'Neill—Privacy considerations do not apply quite as you described.

Senator FORSHAW—I know how privacy considerations apply, but I am interested in hearing what you saw as the difficulties in this regard.

Mr O'Neill—Our target group were not only persons of that age but also their carers. Their family members are probably in their 70s or 80s. People in their 100s or that age do not take a lot of interest, in many cases, in correspondence or other issues, so we spent a lot of effort in targeting the aged community so that we could get access to the carers through local government, through the community and through federal members, who were a principal means of identifying persons.

Senator FORSHAW—Can I stop you there. How do you federal members identify them?

Mr O'Neill—As was pointed out in Senator Heffernan's letter to federal members, electoral roll information is held, including dates of birth.

Senator FORSHAW—Right. So it is a fairly quick means to identify a person in your electorate who is either 100 or is going to turn 100.

Mr O'Neill—The legislation that allows members to have access to that information is specific. As Senator Heffernan pointed out:

Federal members are invited to nominate as early as possible the names of centenarians who they may know are living in their electorates so that centenarians' medals may be processed as a priority. Examination of electoral roll data held in electorate offices should facilitate the identification of centenarians.

Senator FORSHAW—When was that letter sent?

Mr O'Neill—In February 2002.

Senator FORSHAW—Yes, in February 2002. This is what I am getting at. This all appears to me to be some time after the event.

Mr O'Neill—The centenary ended on 31 December 2001.

Senator FORSHAW—I know. Given all of the planing that went into the centenary—a centenary year only ever happens once in 100 years; I hate to be stating the bleeding obvious—if you have as a centrepiece of your celebrations a proposal to strike a special medal and give it to people who turn 100 in that year or beforehand who are still alive, then you would try to do it before. You would not start handing them out after the year has finished.

Mr O'Neill—With respect, Senator—

Senator FORSHAW—We got our medals when we went to Melbourne.

Mr O'Neill—They were medallions, I think.

Senator FORSHAW—We got our medallions, yes.

Mr O'Neill—With respect, the scheme was announced at the end of the centenary year and processed during 2002.

Senator FORSHAW—But you told me that this was being contemplated some time ago. I think you earlier mentioned 1997.

Mr O'Neill—Well before the centenary year. At the end of the centenary year the creation of the medals was announced by the Prime Minister, and the administration now takes place.

Senator FORSHAW—Why did it take three years? This is a fairly straightforward, simple proposal. I think it is a terrific proposal, but in some cases it might end up being a bit of an insult to people, particularly if their family member may have passed away and they have not yet received a medal. I know that could have been possible last year.

Mr Henderson—We have made the point that a scheme—an arrangement, a process, whatever you want to call it—for the distribution and selection for people to receive this medal were well advanced at this time last year, or it may have been a little earlier. I have forgotten.

Senator FORSHAW—Sorry, Mr Henderson, can I interrupt you? I am only talking about that defined group of people of centenarians who were turning 100.

Mr Henderson—I accept the point that it was probably clear from day one that centenarians were going to be eligible for this. It would have been possible to make a decision to say that we would proceed with those early last year and not finalise the arrangements for the balance of the medals. That would have been possible; I accept that. It was not the way the government decided to go.

Senator FORSHAW—But you had consultants engaged and you paid them a fair bit of money to develop these databases and to develop this campaign. Didn't they give you some advice on this? I would not have thought that you would have needed it. I would have thought that there would have been—and I am sure there is—sufficient expertise within the department and elsewhere to say, 'We're going to give a medal to people who are 100 years of age and who turn 100 years of age in the centenary year. Let's get it under way. We know how

to get access to this information,' notwithstanding that there are privacy considerations but they can be addressed and overcome relatively quickly.

Mr Henderson—I accept that the government could have decided to proceed early last year with centenarians before they had finalised the arrangements. I accept that.

Senator FORSHAW—Was there any consideration to doing that?

Mr Henderson—I do not recall that there was, but I accept that could have been the approach. The government decided that it did not. The consultants and so on are not relevant to the design of the scheme; they are relevant to the database issues.

Senator FORSHAW—But you would agree that the information is readily available. I understand there could be privacy considerations about how you can access it, but the information would be available, wouldn't it, through Medicare and through other agencies, state and federal?

Mr O'Neill—I think the Health Insurance Commission legislation, which is quite separate from the privacy legislation, makes a requirement on individuals who have breached the law that if they release it for any purpose other than what the legislation determines—

Senator FORSHAW—Mr O'Neill, I know all that. But you have also acknowledged here that you are using sources that have access to the information, such as members of parliament, nursing homes and the like. They all have to abide by privacy considerations as well. So I frankly do not accept that that was some sort of impenetrable barrier that could not be addressed fairly quickly. But time is short. Based upon ABS research, the Prime Minister says that there are around 3,000 centenarians who would be eligible. You tell me that around about half that number—that is, 1,500—have so far been identified?

Mr O'Neill—Close to 1,500. It is about fourteen hundred and something.

Senator FORSHAW—Okay. Of that, how many medals have been issued?

Mr O'Neill—About 700 of those.

Senator FORSHAW—What is your expectation as to when this process will be completed?

Mr O'Neill—The aim for this to be completed is at the end of October when medals shall be presented.

Senator FORSHAW—Aren't the medals being—

Mr O'Neill—For the centenarians it is being done as soon as the details are in.

Senator FORSHAW—Yes.

Mr O'Neill—So they are going progressively during the year. But for the general list, which is the great bulk of them—

Senator FORSHAW—I am only asking about the centenarians.

Mr O'Neill—For the centenarians it is under way now, and they will be invited to vice-regal functions, where there will be a celebration.

Senator FORSHAW—So they will all be presented through some form of vice-regal function if that is possible.

Mr O'Neill—The presentation of it will be confirmed at the vice-regal function.

Senator FORSHAW—Okay. Finally, what is the position in the case of persons who unfortunately pass away before they get their medal?

Mr O'Neill—It is conferred to the family so they can celebrate the memory of a centenarian. The response we have got so far from family members is overwhelming, whether the family member has passed on or not.

Senator FORSHAW—I am sure they would do that, but I make the point that, whilst I think it was a great idea, I just wish it had been able to have been undertaken and largely completed within the centenary year. Thank you, Mr O'Neill, for your answers.

Senator FAULKNER—Just a quick update, Mr Henderson, for your benefit. I have had contact made to my office—obviously people do follow the Senate estimates committee—by people who are concerned that the contact list for the federal ministry on the Prime Minister's web site includes the Minister for the Environment and Heritage, Senator the Hon. Robert Hill.

Senator Hill—It is a long memory. I am glad they have not forgotten.

Senator FAULKNER—I have to say that I think their worry is that Mr Reith is still in Defence.

Senator FORSHAW—Does it have the wide list on it?

Senator FAULKNER—I do not know about that. I thought I ought to draw to your attention that the federal ministry portfolio list currently on the Prime Minister's web site is dated 14 February 2001. I think it is probably about time it gets updated, Mr Henderson. You would agree with that, wouldn't you?

Senator Hill—He has got his priorities all wrong, hasn't he?

Mr Henderson—If Senator Hill does not beat me down there, I will go down and draw their attention to it.

Senator FAULKNER—I heard that the Prime Minister's web site gets quite a lot of hits, which is what you would expect, isn't it? You would treat it seriously, wouldn't you?

Mr Henderson—Of course we do.

Senator FAULKNER—So I should treat something seriously that is 15 months out of date.

Mr Henderson—The point is noted.

Senator FAULKNER—Thank you. I wanted to move to PSMPC, if I could.

CHAIR—Does that mean there are no further questions for—

Senator FAULKNER—It means there are one or two that we should ask but we will not be able to.

CHAIR—In that case, that concludes questioning of the Department of the Prime Minister and Cabinet.

Senator FAULKNER—It means, particularly for the international division and one or two other issues, I will have to place some questions on notice. For some of those issues that I was intending to raise in relation to the international division, I think we have privately discussed the fact that we might need newer and better information before we look at it again.

Mr Henderson—Yes, we will promptly update that question in regard to the Prime Minister's New York-Jakarta itinerary.

CHAIR—Does that mean Mr Henderson is leaving this committee for the last time? Is that right, Mr Faulkner?

Senator FAULKNER—He is nearly out the door.

CHAIR—Mr Henderson, thank you very much for your patience and your assistance to the committee at this time and on previous occasions.

Senator FAULKNER—Mr Henderson, on behalf of the opposition, if I can associate the opposition with the best wishes of the Chair, we wish you well in your new role and hope you did not find this committee too painful.

Mr Henderson—No, I did not. It was a learning experience.

CHAIR—We hope to see you again, Mr Henderson.

[10.33 p.m.]

Public Service and Merit Protection Commission

CHAIR—We will commence with general questions.

Senator FAULKNER—There were a number of issues I wanted to canvass tonight. As so often happens because of the agenda for the committee we do not have a great deal of time, which is a pity. I would like to move through some priority issues, if I could, as quickly as possible. Then, if you would not mind, I may place some questions on notice. It is becoming too much of a habit with PSMPC, I know, but it is unavoidable and I apologise for that.

If I could move quickly to an issue that I wanted to raise with you tonight, which is the question of non-ongoing employees in the APS. This was an issue of concern to us when we were negotiating the Public Service Bill. We did not want to see casualisation of the APS, as you know, nor abuse by departments of their capacity to employ people on a non-permanent basis. The opposition was able to secure language to clarify that permanent employment would be the norm—section 22(3) of the act. Section 10(1)(n) was about the APS being a career based service.

I have received some representations from non-ongoing APS employees. I will not, of course, mention names. This is a situation relating to the departure of ongoing employees engaged in the Defence Integrated Distribution System. I do not know if this issue has been drawn to your attention or not. Because of ongoing employees being engaged in that contract, new staff are being engaged as non-ongoing employees. As you know, the maximum term for which persons can be engaged cannot exceed three years. I think that is correct, isn't it?

Mr Podger—That is correct.

Senator FAULKNER—So the employment of a whole labour force such as those who are working on the DIDS project on a non-ongoing basis—and I might say for what appears to be quite a long period or a period that exceeds three years, which is what is alleged in representations to us—would seem to me to be inconsistent with these regulations. I am sorry to give you that background, but I thought it might save a bit of time. Are you aware of these complaints? Have they been drawn to your attention?

Mr Podger—I have not had those specific complaints drawn to my attention. It was actually in this place only a week or so ago before another committee that I had a conversation, an aside, with a member of the CPSU who said that she intended to raise some issues with me.

So far they have not come through, but I am expecting something to come through. But it was not made as specific as you have mentioned.

Senator FAULKNER—Fair enough. Have similar problems been drawn to your attention?

Mr Podger—Not directly. We have chosen to have a bit of a look at the non-ongoing employee statistics for the next *State of the service* report. In fact, we have just gone out with a questionnaire to agencies asking for a bit more information about their use of non-ongoing employees. We have not had specific complaints come to us yet.

Senator FAULKNER—I am aware of that. It does appear from the *State of the service* report that you plan to keep your eye on this issue of ongoing employment.

Mr Podger—That is correct.

Senator FAULKNER—There is no indication that I am aware of that this provision in the act is being abused. There is no suggestion that the percentage of non-ongoing employees is increasing for example, is there? In fact, I think there has been a reduction, hasn't there?

Mr Lamond—My understanding of the statistics is that the non-ongoing employment category has trended slightly downwards.

Senator FAULKNER—I think the medium length of service is seven months, isn't it?

Mr Lamond—I would have to check that.

Senator FAULKNER—If you would not mind. What I say to you and your officers, Mr Podger, is I think it is positive that you are looking at this issue. I certainly would encourage you to continue to monitor it. Given the circumstances in relation to this particular area of the Public Service, if you are not aware of the particular problem, if I was able to provide you with copies of correspondence, could I ask you to look at that for us and respond?

Mr Podger—Certainly.

Senator FAULKNER—I will obviously check whether there are any privacy concerns involved. I will deal with that in a way that I think ensures it is done properly and perhaps the correspondents may not object anyway to individual cases being dealt with. But I think there is a way that I can draw that to your attention so you could perhaps look at that and respond accordingly.

Mr Podger—Certainly.

Senator FAULKNER—To be honest, I expected you may have had some knowledge of the specific DIDS issue. Accepting that you do not, if you are comfortable, I would be happy to deal with it in that way. I will give you copies of that tomorrow, if that is all right, Mr Podger.

Mr Podger—Certainly.

Senator FAULKNER—I want to ask now about another issue—the re-employment of 54/11s. Again, this is a matter that has been raised with my office. The nature of the complaint here is that officers in DIMIA who retire at the age of 54 and 11 months in order to maximise their superannuation benefits are immediately being re-employed as consultants. I think it is true to say, isn't it, that under the Public Service Act and regulations such a person could not be re-employed on an ongoing basis for a period of 12 months? Is that right?

Mr Podger—No. I understand that is not true. I will ask Mr Lamond to give a bit more detail. There are some restrictions from the superannuation side in order to be accepted as a

retiree under age 55. There has to be some statement as to future employment intentions, but there is not a restriction within the Public Service Act on being re-engaged in an ongoing capacity.

Senator FAULKNER—Is that right? I understood there was no impediment for such a person to be re-employed as a consultant or contractor. I am not being judgmental about that. The issue here is just to be assured that this is not open to abuse.

Mr Podger—There are certainly very strict rules about people who have accepted a redundancy payment. If they have accepted a redundancy payment from the Commonwealth, either from the APS or any area of Commonwealth employment including companies owned by the Commonwealth, they are not to be re-engaged within 12 months. There are very limited exceptions to that. For a person who has retired or who has not actually got a redundancy payment, there is not an issue of double dipping in coming back in. There is a question in terms of the superannuation issue or whether they were genuinely retired. That is a rule from superannuation. It is not a rule from the Public Service Act. As I say, if Mr Lamond has anything else to add.

Mr Lamond—If the person was being re-engaged as an employee, the requirements of the legislation should have been complied with. If they were taken on as a consultant, that is a contractual arrangement outside the Public Service Act and there are no limitations on agency heads undertaking that action.

Senator FAULKNER—So there are limitations on those who have accepted redundancies?

Mr Lamond—Correct.

Senator FAULKNER—It only applies to people who accept redundancies?

Mr Podger—In terms of the Public Service Act and the regulations that I administer, that is correct.

Senator FAULKNER—The so-called 54/11s.

Mr Podger—To the extent there are restrictions, there are restrictions according to acceptance by the superannuation authority that they have genuinely retired and are eligible for the superannuation provisions, but there is not an issue for the Public Service Commissioner about their re-engagement.

Senator FAULKNER—All I am trying to do is get some clarity, that is all.

Mr Podger—I should add, as mentioned in the last service report, so far the numbers of people taking this up have not been all that many—as many as we thought there might be—but it is an issue for close consideration. The management advisory committee has established a project called Organisational Renewal, which is looking at the intentions of people in that 50-plus group—about retirement or staying on—because there is a concern about the risk of loss of corporate knowledge by the provisions of superannuation which may be unintended but are having some impact and could have a substantial impact. We are talking about the CSS scheme which, while a closed scheme, still has a lot of members in the age group 40 to 55. It is a long group to come through. There is an examination of what the impact might be and of the options for addressing it. There are questions about whether people who take it can be re-engaged or whether, for people who chose not to take it, there are other flexibilities for an employer who is concerned about losing corporate knowledge to try to have incentives to retain them. There are some tricky issues to be worked through.

Senator FAULKNER—As I say, I am not being judgmental about this; I am just trying to get it clear. Maybe the most sensible thing for us to do, Mr Podger, is for you to provide a considered—I am not suggesting what you are providing now is not considered but we are so short of time—response through taking on notice from the committee a question going to what precisely is the position in relation to re-employment of retired public servants and under what circumstances recent retirees can be re-employed on a non-ongoing basis. Would it be possible—

Mr Podger—On an ongoing basis?

Senator FAULKNER—On a non-ongoing basis. It is not possible on an ongoing basis, is it?

Mr Podger—No, it is possible. For somebody who has accepted a retirement from the CSS scheme, it is possible for them to be re-engaged on an ongoing basis.

Senator FAULKNER—I see. My last question ought to be then: under what circumstances can recent retirees be re-employed?

Mr Podger—I can certainly provide you with a more detailed specific answer. I will set out also from the finance side what the superannuation guides are. As I said, there are some conditions on their side in order to get access to their retirement provisions for under 55 years. The person has to declare that they are in fact retiring.

Senator FAULKNER—I am now not 100 per cent clear about my own terminology in terms of ongoing and non-ongoing. It is better to ask the question of you and you can canvass that issue in your reply. Would that be okay?

Mr Podger—Certainly.

Senator FAULKNER—I appreciate that. Again, this issue has been raised with me. As to the issue of charging fees for feedback to applicants for APS positions, is this something that has been drawn to your attention?

Mr Lamond—I was just acquainting the commissioner with the fact that I was aware of a comment on that. The specific issue that was drawn to our attention was a bulk recruitment exercise by Customs. The preliminary assessment of individuals was outsourced to a private sector organisation. My understanding is that in terms of settling the contract Customs agreed or did not pick up the service provided by the organisation of providing feedback on the assessment tests. That would have involved, if my recollection is correct, expenditure in the order of an additional \$300 per person in terms of each feedback service that was offered.

An individual who sought feedback from Customs was told, ‘Sorry, that was not part of the service.’ They were referred, incorrectly as it turned out, to the organisation and were offered the service for \$300. They wrote to the minister and it came to us for a response. I have provided that response. We have talked to Customs about it. We have no jurisdiction in terms of directing an organisation, say Customs, as to the types of services they would recruit. We have pointed out that it is good practice to provide some type of feedback to the individuals concerned. For example, there is a distinction perhaps between feedback provided to Customs officers and feedback—or lack of feedback—provided to people from the community who sit those tests. But in the end, it remains a commercial decision by Customs as to the overall cost of the contract and the service they provide.

Senator FAULKNER—So you certainly had this drawn to your attention, obviously, in this case from ACS.

Mr Lamond—No, it was an individual.

Senator FAULKNER—I see. About ACS?

Mr Lamond—Yes, about that service.

Senator FAULKNER—Yes, okay. Have you looked more broadly at how many Commonwealth departments and agencies have outsourced their recruitment and selection processes?

Mr Lamond—We have not. To the best of my knowledge we have never posed that specific question in any type of survey we have run. We do not have—

Mr Jones—The questionnaire that we sent out to agencies for the *State of the service* report for this financial year includes some questions about what corporate services have been outsourced. The categories are slightly broader than the one you have described. They would be more in the form of human resource management, financial management, rather than—

Senator FAULKNER—I wonder how broad they should be.

Mr Lamond—If I might finish my answer. This also goes to Mike's answer as well.

Senator FAULKNER—Sure.

Mr Lamond—Even had an organisation outsourced its corporate functions, they still might run selection exercises in house. If I have outsourced my personnel section, for example, in terms of the commission exercise, if I have a recruitment exercise, I would manage that myself. I would not necessarily make a decision to outsource it. So in terms of outsourcing the functions there is no corollary that it then follows that you outsource all the recruitment exercises.

Senator FAULKNER—Yes, but it seems to me, nevertheless, important. I thought that you may have tried to establish how many were doing this. It sounds like you are for the next *State of the service* report.

Mr Podger—We are getting information on what corporate services have been outsourced, but I suspect the specific question you are raising would not be answered by the statistics we are seeking.

Senator FAULKNER—Yes.

Mr Podger—Mr Lamond has mentioned that somebody who has outsourced human resource management may not have actually outsourced individual recruitment activities. Equally, somebody who has kept the HRM inside may have used a headhunter company or somebody else to help them in a recruiting exercise. We have not got that sort of information that we would be collecting in the short term on that.

Senator FAULKNER—Do we know beyond the Australian Customs Service whether this issue of charging fees for feedback to unsuccessful applicants applies to any other departments or agencies?

Mr Podger—I am not aware of that and I think that Mr Lamond's advice to Customs would be the advice I would give myself—that is, while I cannot tell them what to do, I would say that it is good practice in any selection process that your own staff get feedback. That is good management practice and we would encourage that.

Senator FAULKNER—I know you would say that, Mr Podger, and I appreciate that that would be your advice. The issue here is: I am wondering if this is more widespread than ACS.

Mr Podger—I am not aware of any other cases being brought to us.

Senator FAULKNER—Are there actually any guidelines that apply to notifying APS applicants of the success or lack of success in their applications? Is there any broad guidance?

Mr Podger—I am not aware of any central guidance from the commission on that. I know from being an agency head of a major agency that we had, within my previous departments, a policy on what was good practice for internal applicants—that is, that we could not afford to interview every internal applicant, but we needed to make sure there was better information going to our own staff where they were not short-listed and, if they were short-listed, that they got feedback. That was certainly a policy position, but there is no central thing from the commission.

Senator FAULKNER—So obviously then there is no central guidance in relation to feedback?

Mr Podger—That is correct. We do have some discussions from time to time on what is good practice in these things.

Senator FAULKNER—So there are no requirements then on departments or agencies who have outsourced their recruitment processes to make provisions for providing feedback to clients in their contract with the successful tenderer?

Mr Podger—That is correct.

Senator FAULKNER—Do you think that this is something that ought to be addressed now?

Mr Podger—I am very loath to reintroduce central requirements. I do think that there are other ways in which to draw to the attention of agencies that there are good practices without actually having it as a requirement in a central statistical collection or process.

Senator FAULKNER—But your powers of persuasion are legendary.

Mr Podger—I do not know about that. I have not yet heard whether Mr Lamond's advice to Customs was taken up by Customs.

Senator FAULKNER—Is he?

Mr Lamond—No, I have not, but—

Mr Podger—But we can follow—

Senator FAULKNER—But you accept—

Mr Podger—I would be quite happy for us to follow up to see whether Customs took our advice.

Senator FAULKNER—But you would accept that this is a serious issue. This is something that I think falls right into your bailiwick, does it not?

Mr Podger—There are lots of serious issues which are nonetheless the responsibility of the agency heads who are the employers. My role is to keep an eye on what is good practice; from time to time you evaluate what is going on, but my role is not to direct and control.

Senator FAULKNER—No, I appreciate your role, but here is something I think is worth keeping an eye on and where it is worth encouraging good practice, because we have had some examples—at least one example—of less than good practice.

Mr Podger—I can quite see the merit of us seeing whether Customs did, in fact, take our advice and then let you know whether they did or did not, but they have got to take responsibility for that, not me. I also believe that, if there were a number of instances of this, it would be something that we would look into and give a general advice to agencies about it. But it is not something that I can take direct responsibility for. At this stage, with one particular agency having been raised, I would be reluctant to go chasing too far on it until I see whether, in fact, there is evidence of a wider spread problem.

Senator FAULKNER—I do not know whether we are at cross-purposes here, to be honest, but I look forward to seeing how this issue is canvassed in the *State of the service* report, if it is. I hope it is.

Mr Podger—At this stage, I have not identified this very specific issue raised as one in the *State of the service* report. But what I have identified as a theme in the first service report is the state of play on outsourcing and some of the issues around best management of outsourcing, including issues of strategic capacity in agencies for HR.

Senator FAULKNER—But this is one of the issues around outsourcing and best management of outsourcing, is it not?

Mr Podger—It could be. We have one case. I just feel I do not have enough evidence to say more than that at this moment.

Senator FAULKNER—I await further developments with interest. Given the time, I will canvass briefly one last issue. I will, as I said to you, Mr Podger, place some other questions on notice. It is again something that has been raised with me, and I would like you to comment on it if you could. It has been alleged to us that foreign born migrants who are Australian citizens can no longer obtain a security clearance for the APS, by virtue of the fact that they were not born in Australia. I do not believe that that could be the case, but this suggestion or allegation, if you like, has been made and I just wanted to find out what the situation was.

Mr Podger—I have not heard that accusation. I would have to look into it. There has been nothing of that sort brought to my attention while I have been the commissioner. I am not aware of that as an issue. My officers in that area, looking after diversity and so on, are not aware of that issue either. If there is some material that you have that you could draw to our attention, we could look at it. I am not aware of that as an issue.

Senator FAULKNER—Can you assure me it is not the case?

Mr Podger—I cannot right now. I will check it out. I have not got what the arrangements are, but I will look at it.

Senator FAULKNER—I appreciate that this would be described as a left field issue. If I had had a little more time I would have raised it with you before you came. I apologise for not doing so.

Mr Podger—I will certainly take it on notice.

Senator FAULKNER—If you would not mind, could you make some inquiries and let us know in due course? That would be appreciated. Because of the late hour, I can follow through a few of the other issues with some questions on notice. Thanks to you and your officers for dealing with those that you have been able to.

Mr Podger—Thank you.

CHAIR—Thank you, Mr Podger, Mr Jones and Mr Lamond. John, do you want ONA now?

Senator FAULKNER—No. I said to the secretary that we will give ONA a miss.

CHAIR—I am sorry. I misunderstood. So there are no questions for ONA?

Senator FAULKNER—I said we wanted them but we would not call them because I had indicated we would try to finish by 11 o'clock.

CHAIR—Okay. Thank you.

Senator FAULKNER—I am very old fashioned about those sorts of things. If I say we should do that, we should do it.

CHAIR—Do you want to put questions to them on notice?

Senator FAULKNER—I may have to.

CHAIR—You do not need to say anything about that?

Senator FAULKNER—I do not think so. It is only ONA we have left now, is it not? If there is a need to put questions on notice, I will, but I think we indicated we would try to finish as close to 11 o'clock as possible.

CHAIR—Senator Faulkner has been good enough to indicate that in view of the hour he does not require the committee to call officers of the Office of National Assessments. That being the case, that completes the examination of the Prime Minister's portfolio. I remind you that the committee has set 10 July 2002 as the date for the submission of written answers to questions taken on notice. I thank the minister and officers for their attendance. The committee stands adjourned until 9 a.m. tomorrow morning, at which time we will proceed to examine the finance and administration portfolio.

Committee adjourned at 11.04 p.m.