



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION
COMMITTEE

Consideration of Supplementary Estimates

WEDNESDAY, 20 NOVEMBER 2002

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SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE

Wednesday, 20 November 2002

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

Senators in attendance: Senators Brandis, George Campbell, Chapman, Conroy, Crossin, Faulkner, Lundy, Mason, Moore, Robert Ray, Sherry and Webber

Committee met at 9.10 a.m.

FINANCE AND ADMINISTRATION PORTFOLIO

In Attendance

Senator the Hon. Nick Minchin, Minister for Finance and Administration

Senator the Hon. Eric Abetz, Special Minister of State

Department of Finance and Administration

Dr Ian Watt, Secretary

Bruce Taloni, Executive Officer

General

Corporate Group

Lembit Suur, General Manager, Corporate

Ian McAuley, Branch Manager, Parliamentary and Corporate Support

Judy Costello, Branch Manager, Strategic Partnerships

Tracy Muddle, Manager, Human Resources

Andrew Kefford, Estimates coordination

Sally Ormond, Estimates coordination

Tanya Vrkic, Estimates coordination

Consul O'Reilly, Estimates coordination

Jahda Swanborough, Corporate group

Financial and e-Solutions Group

Dominic Staun, General Manager, Financial and e-Solutions Group

Nathan Toscan, Executive officer, Financial and e-Solutions Group

Outcome 1—Sustainable Government Finances (Budget Group)

Phil Bowen, General Manager, Budget Group

Kathryn Campbell, Group Manager, Budget Group

Jim Kerwin, Branch Manager, Financial Reporting

Matthew Flavel, Branch Manager, Budget Coordination Unit

Susan Page, Group Manager, Agency Advice

Phillip Prior, First Assistant Secretary, Budget Estimates Review

Brett Kauffman, Branch Manager, Accounting Centre of Excellence

Justine Potter, Estimates and Reporting Team Leader

Charles Lawson

Michael Culhane

Greg Coombs

Outcome 2—Improved and More Efficient Government Operations

Business Services Group

Jonathan Hutson, General Manager, Business Services Group

Barry Jackson, Branch Manager, Property

Sandra Wilson, Branch Manager, Superannuation

Robert Knapp, Group Manager, Superannuation

Mark Wiggins, Branch Manager, Governance Review

Stacie Smith-Macnee, Branch Manager, Insurance and Risk Management

Geoff Painton, Superannuation

Louise Seeber, Insurance and Risk Management

Asset Management Group

Alastair Hodgson, General Manager, Asset Management

Michael Pahlow, Division Head, Commercial and Projects

David Yarra, Division Head, Asset Sales

Peter Diddams, Branch Manager, Commonwealth Shareholder Advisory Unit

Rod Whithear, Branch Manager, Commercial Projects

Robert McKinnon, Team Leader, Commonwealth Shareholder Advisory Unit

Mark Heazlett, Branch Manager, Asset Sales

Robin Renwick, Branch Manager, Asset Sales

Marianne King, Branch Manager, Asset Sales

Neil Williams, Branch Manager, Asset Sales

George Sotiropoulos, Team Leader, Commonwealth Shareholder Advisory Unit

Doug Rankin, Team Leader, Commonwealth Shareholder Advisory Unit

Chandrayee Donnelly, Team Leader, Commonwealth Shareholder Advisory Unit

Russell Thomas, Executive Officer, Asset Management Group

Outcome 3—Efficiently functioning Parliament (Ministerial and Parliamentary Services)

Jan Mason, General Manager, Ministerial and Parliamentary Services

John Gavin, Special Adviser

Kim Clarke, Branch Manager, Entitlements Policy

Rob Barnes, Branch Manager, Service Centre

Ken Sweeney, National Manager, COMCAR

John Edge, Branch Manager, Account Management

Suzanne Pitson, A/g Branch Manager, Legal & Review

Greg Smith, Coordination

Dave Vosen, Executive Officer

Ian McAuley, Branch Manager, Parliamentary and Corporate Support

Sue Whisker

Greg Miles

Kim Baker

Helen Goddard

Wally Stopp

Beth Fiedler

Carolyn Hughes
Warren Benson
Paul Way
Clayton Conquest
Jane Wagner
Deborah Fulton
David Wilson

Australian Electoral Commission

Andy Becker, Electoral Commissioner
Paul Dacey, Deputy Electoral Commissioner
Tim Pickering, First Assistant Commissioner, Electoral Operations
Barbara Davis, First Assistant Commissioner, Business Support
Marie Nelson, Assistant Commissioner, Corporate Services
Kathy Mitchell, Director, Funding and Disclosure
Doug Orr, Assistant Commissioner, Elections
Brian Hallett, Assistant Commissioner, Information and Research
Andrew Moyes, Assistant Commissioner, Enrolment and Parliamentary Services
Gabrielle Paten, Director, Parliamentary and Ministerial
Ken Hunter, Assistant Commissioner, Information Technology
Fiona Codd, Project Manager, Output Pricing Review

ComSuper

Kevin Dent, Chief Finance Officer
Bruce Kruttschnitt, Chief Operations Officer
Barbara Wilson, Finance Manager
Monica LoHenj, MSBS Fund Accountant
Hugh Major, Manager, Corporate Services

CSS/PSS Boards

Steve Gibbs, Chief Executive Officer
Barbara Wilson, Finance Manager
Sabine Muller-Glissman, Communications Manager

Commonwealth Grants Commission

Bob Searle, Secretary

Corporate

Justin O'Shannassy
Andrew Harper
Pauline Szoldra
Greg Rynehart
Yvette Studdock
Jenny Millett

CHAIR—I declare open this public hearing of the Senate Finance and Public Administration Legislation Committee. On 14 May 2002, the Senate referred to the committee for examination the particulars of proposed expenditure for the year ended 30 June 2003 in respect of the portfolios of the Prime Minister and Cabinet, Finance and Administration and the parliamentary departments. The committee held hearings on 27, 28,

29 and 30 May 2002 and reported to the Senate on 19 June 2002. The hearing today is supplementary to the budget estimates hearings and will consider matters relating to the written answers or additional information or otherwise relating to the proposed budget expenditure referred to the committee. The committee has set 17 January 2003 as the date for the submission of written answers to questions taken on notice. The agenda you have before you comprises those matters notified to the committee secretariat in writing by the close of business on 14 November 2002, three working days before today, as required by standing order 26(10).

We will commence with the Finance and Administration portfolio, followed by the Prime Minister and Cabinet portfolio, and will conclude this evening with the parliamentary departments. I propose to proceed by opening with general questions and then calling on the outcomes and outputs in the order listed on the agenda. I remind you all that this committee is continuing to monitor the format of the portfolio budget statements and would welcome any comment on that documentation. 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 the department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to the 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.

[9.14 a.m.]

Department of Finance and Administration

CHAIR—I welcome Senator Minchin, the Minister for Finance and Administration, Dr Watt and officers of the finance and administration portfolio. Senator Minchin, do you wish to make an opening statement?

Senator Minchin—No, thanks.

CHAIR—Are there any general questions?

Senator CONROY—I would like to start off by examining the consolidated revenue fund. What exactly is it?

Mr Bowen—The consolidated revenue fund is defined in the Constitution and is effectively the fund into which all revenues of the Commonwealth are paid.

Senator CONROY—Does the CRF show the total financial position of the Commonwealth?

Mr Bowen—My understanding is that that would not be the case because the Commonwealth is much broader than simply the general government sector. It has other arms—

Senator CONROY—Let's stick to the general government sector and not use the word 'Commonwealth'. Does it show the total financial position of the government?

Mr Bowen—It will not show the total financial position of the government because the total financial position of the government is not simply the cash position of the government. I

will expand on that: the government has other assets and liabilities that make up its total position.

Senator CONROY—So what is the relationship between the CRF and the budget?

Mr Bowen—The CRF is the fund into which all moneys received are paid and from which appropriations are made.

Senator CONROY—I got the impression when I asked about CRF before—obviously I haven't got *Hansard*—you implied that CRF was moneys paid, or moneys going out, did you say?

Mr Bowen—My recollection is that all moneys received are required to be paid into consolidated revenue and moneys appropriated are appropriated from consolidated revenue.

Senator CONROY—Can I read you section 81 of the Constitution. It might help us. It says:

All revenues or moneys raised or received by the Executive Government of the Commonwealth shall form one Consolidated Revenue Fund, to be appropriated for the purposes of the Commonwealth in the manner and subject to the charges and liabilities imposed by this Constitution.

I think that is a direct quote. Does it sound familiar?

Mr Bowen—Yes.

Senator CONROY—I want to come back to your definition again. I got the impression that you implied that it was only one half of that—that is, it was only revenues in or expenses.

Mr Bowen—No, I think I said it was appropriations from as well.

Senator CONROY—All right. Where do I find the consolidated revenue fund in the budget papers?

Mr Bowen—The consolidated revenue fund is not shown separately in the budget papers.

Senator CONROY—Did it used to be?

Mr Bowen—When the Commonwealth accounted purely on a cash basis and accounted on a funds basis under the then Audit Act, I believe that, yes, there was a reconciliation of cash to the consolidated revenue fund. Of course, the legislation governing the Commonwealth's financial management has changed since 1997, I think, to put in place a broader financial framework: an accrual financial framework. While cash is accounted for, so too are the other elements of the government's financial performance and position—the accrued expenses, revenues, liabilities and assets et cetera—which were not previously shown in the simple presentation of cash in and cash out.

Senator CONROY—There was no requirement to remove the CRF from the budget papers, was there? It is there in bits, scattered throughout, if you know where to look.

Mr Bowen—It certainly is.

Senator CONROY—But there was no requirement; nobody made you. We did not pass an act saying, 'Delete this'?

Mr Bowen—You cannot legislate to change the Constitution.

Senator CONROY—That is what I thought. You are not suggesting that in the new financial framework it is no longer possible to show the total financial position?

Mr Bowen—Absolutely not; in fact, to the contrary. If you have a look at the final budget outcome for this last financial year, which was published recently, the full financial position for the Commonwealth—all sectors of the Commonwealth—is clearly shown: the general government sector, the non-financial public sector and the financial public sector. They are all shown in full, which of course is something that we were unable to do previously under the pure cash accounting regime.

Senator CONROY—Could you take me through what the components or ledgers of the CRF are and their legislative basis?

Mr Bowen—It is not an issue of having ledgers of the CRF. The CRF is a fund—and you have said exactly what it is, as defined in the Constitution—but the government, in receiving money into the CRF and taking money out or appropriating money from the CRF over many years, has created assets and liabilities. These, too, are now accounted for, along with the simple cash flows in and out of the CRF. If you have a look in the accounts that the government publishes for the general government sector—a statement of cash flows—that is probably as close as you would come in our current framework to the old statement of flow of funds in and out of the CRF. It is effectively the cash flow that we now publish.

Senator CONROY—When I asked you a moment ago about components or ledgers of the CRF, you made a comment that it was not really ledgers. Is that what you said?

Mr Bowen—The CRF is a notional fund, and it is an important fund under the Constitution, but the cash is actually coming in and out of the public account and through the accounts of a number of Commonwealth agencies. It is all consolidated when we do the final budget outcome and consolidated further when do the consolidated financial statements for the entire Commonwealth.

Senator CONROY—But your web site says special accounts are a ledger of the CRF.

Mr Bowen—Special accounts?

Senator CONROY—Yes.

Mr Bowen—A special account—

Senator CONROY—I am asking about ledgers, and you are saying they are not ledgers, but your web site specifically states that ‘special accounts are ledgers of the ...’ I am trying to get to the bottom of what they are.

Mr Bowen—A special account is an account within the official public account; that is true.

Senator CONROY—I was asking about what the components or ledgers of the CRF are and what their legislative basis is. I can take you through it if it might clarify what I am asking.

Mr Bowen—Let me follow your line on special accounts as an example of a subaccount within the public account. Special accounts are created under legislation. They are created either under the Financial Management Act by a determination of the minister for finance or they are established under their own legislation, such as the Natural Heritage Trust. That is a special account.

Senator CONROY—I promise you we will get to that, so keep going.

Mr Bowen—These accounts have been around for a very long time. They were previously known as trust accounts under the old audit act and, under the FMA Act, they became special

accounts. But they cannot be established except with legislative authority, and the authority is either under the FMA Act or the specific legislation of the particular account.

Senator CONROY—I would like to bring you back a step. You have gone to what I would define in my head, in a muddled way, as sub-subaccounts at the moment. I am actually trying to get to the actual components of the CRF. Perhaps I could take you through a few: the official public account in section 9 of the FMA Act; special public money in section 16 of the FMA Act; special accounts in sections 20 and 21 in the FMA Act and in other acts; and net appropriations, or notional payments, in section 31 of the FMA Act. Could you give me a sub-breakdown of what else is in the official public account? You mentioned one thing a moment ago.

Mr Bowen—If you want to accurately go into all the detail of the break-up of the official public account, I would prefer to wait until the head of our finance and banking area arrives. He is on his way.

Senator CONROY—I am sorry; I did not know that. I am happy for someone else to field the question.

Mr Bowen—I am happy to talk at a fairly high level from a budget perspective. But, from the technical perspective of the accurate detail here, I think it would be better to get an expert.

Senator CONROY—But they are reported in the budget papers and you are in charge of the budget group.

Mr Bowen—Yes, I have mentioned that at the last couple of hearings. What I can say quite categorically is that all of these elements that you are describing are disclosed in the Commonwealth's financial documentation. Let me explain that. Some are disclosed in detail at the agency level where that is appropriate—and that is certainly the case with special accounts—and, as appropriate, they are consolidated in the budget documentation to give the disclosure of the total amount. There is nothing in what you have mentioned there that is not disclosed.

Senator CONROY—I was not asking that just yet. I was just trying to find out whether or not I had covered all of the components, and I was hoping you could help.

Mr Bowen—I want some technical advice just to make sure we have.

Senator CONROY—I am happy to await the arrival of your guy. Are they disclosed separately, as they used to be?

Mr Bowen—Are what disclosed separately?

Senator CONROY—The items you were just talking about, all the different bits.

Mr Bowen—Certainly the special accounts are disclosed separately in the financial statements of the agencies that have—

Senator CONROY—So they are not in the budget papers?

Mr Bowen—They are not disclosed separately in the budget papers, but they are disclosed separately. They are disclosed in total in the budget papers, but they are disclosed separately in the financial statements of the agencies that are responsible for administering those accounts.

Senator CONROY—Why are they no longer disclosed separately in the budget papers? They used to be. No? Dr Watt is shaking his head.

Mr Bowen—I am not sure they ever were.

Dr Watt—I am not so sure they were, Senator. We can look into that and get back to you if you wish. I think you have to look at the purpose of the budget papers. The budget papers focus on revenue and outlays, and I think expenditure through a particular subset of account is no different from expenditure through any other account. I suspect that is why they are not specifically disclosed.

Senator CONROY—I have a copy of chapter 4 of the budget papers titled ‘Reserve money fund and commercial activities fund’, where there seems to be a total. They are all here agency by agency.

Dr Watt—Where is this from?

Senator CONROY—This is chapter 4.

Dr Watt—Of which budget paper? Are you referring to the Commonwealth public account budget paper?

Senator CONROY—It is on page 237. This is for 1998-99. All of them seem to be in here agency by agency.

Dr Watt—I am not sure that this is the totality. As I understand it, this deals with the reserved money fund and the commercial activities fund. The listing you have is of those things, and it starts with table 9. I am not sure whether this is the totality of funds or not.

Senator CONROY—It seems to be. It is quite a lengthy document.

Dr Watt—We are happy to check for you.

Senator CONROY—I can read you every single one of them.

Dr Watt—I think our point is that we are not sure whether the reserved money fund—

Senator CONROY—I thought these were the predecessors to the special accounts. As I say, we are talking about Budget Paper No. 4.

Dr Watt—Yes, it is the paper on the Commonwealth public account.

Mr Bowen—We will check that. I acknowledge that there is a lot of detail in that paper.

Senator CONROY—I think ‘all of the details’ are the words you were looking for, Mr Bowen.

Mr Bowen—We will check.

Senator CONROY—Given that this amount of detail was there previously, why is it not there now?

Mr Bowen—I am happy to take that question on notice and come back as quickly as possible. I do not have the knowledge to answer that question.

Senator CONROY—You do not report the details of the CRF or special accounts in the budgets now.

Mr Bowen—We certainly did not in the last budget.

Senator CONROY—Yes, and they were there previously. I am just trying to find out why that is.

Mr Bowen—I accept that there was quite a lot of detail there previously.

Dr Watt—I think ‘previously’ takes us back a few years, which is why we would need to look into that.

Senator CONROY—Yes, back to 1998-99, before the FMA Act.

Dr Watt—That is why we need to go back and look into the issue.

Senator CONROY—The whole purpose of the new framework was to increase accountability and transparency. All of this comprehensive information was available in the old documents under the old regime and, all of a sudden, under the new regime the actual information has gone. Does that seem to make sense? It is impossible to argue that there is more information there now than was there previously, given this quality of detail. Senator Minchin, I do not think you were the minister at the time, but the strong argument which was put to the parliament—and which the parliament supported and felt was a worthwhile objective—was that it would actually increase transparency and accountability. It seems now that the key information has gone missing.

Dr Watt—I think one thing the new framework does is that, by presenting things on an accrual framework, it certainly increases transparency and accountability because it gives a much fuller picture of the government’s financial position.

Senator CONROY—It is hard to argue that there is a fuller picture under the new framework when all this detail has gone. I accept that the potential for the new framework was to deliver that, but what I am talking about is what has actually been delivered. Certainly, we voted for the new framework on the basis that the potential for greater transparency and accountability was there. The key issue is: why was this particular critical information dropped from the budget papers?

Senator Minchin—I think everybody accepts that accrual accounting does provide a much more transparent and fulsome picture of government accounts, and that is why the worldwide movement—

Senator CONROY—Treasury does not. To be fair to Finance, Treasury does not agree.

Senator Minchin—That is why there is a worldwide movement, at national and state level, in that direction. You are asking a particular question about the treatment of special accounts.

Senator CONROY—No, I have—

Senator Minchin—Yes, you are.

Senator CONROY—I am actually trying to get to the whole CRF but we have stalled on that at the moment while we are looking.

Senator Minchin—We are dealing with special accounts. I think we just need to come back to you with a proper analysis of the way in which they were treated prior to accrual accounting, how they are treated now and where you find that information. We will do that.

Senator CONROY—Is there any sign of our missing official? Not yet. You no longer report the consolidated financial position of the government as defined by the Constitution? You do define the CRF? You actually do not report it? It is defined in the Constitution and you do not report it?

Mr Bowen—I do not think the Constitution actually requires that we report that.

Senator CONROY—I am just pointing out that it used to be, and for most of the 100 years before that it was. It was significant enough for it to be in there for the best part of 100 years.

Changing the accounting system does not mean you have to drop the details, Senator Minchin. Can you provide revenue and expenditure for the CRF and each component of the CRF for the financial years 1998-99 through to 2002-03? The last one may not be possible yet, but I suspect it is. Could you actually give us that information?

Mr Bowen—We will certainly look at that and come back to you, yes.

Senator CONROY—Is that yes, you will give me the information, or yes, you will look at whether or not you will give me the information?

Mr Bowen—Do you want the information or to know whether we can do it? We will endeavour to provide you with the information.

Senator CONROY—I am hoping you have it handy. You are the department of finance, after all. I would have thought it would be just one phone call and one piece of paper and it would just come tumbling down the line. I can give you my email address; you could probably email it across to me in the next half hour, I would think. Is that too ambitious?

Mr Bowen—I will take that on notice. I do not want to commit.

Senator CONROY—We can be here all day if you like.

Mr Bowen—I do not want to commit my financial system people to something—

Senator CONROY—You do not want to commit the department of finance to providing the current state of the Commonwealth budget or, more importantly, just some old information for the last few years? That would not be readily available?

Mr Bowen—I have said I will take the question on notice, and I will get back to you as quickly as possible.

Senator CONROY—There is nobody watching back in the department of finance? I understand you are all connected up on the internal monitoring system.

Mr Bowen—I am sure they are.

Senator CONROY—You do not want to look into the camera and give them the nod?

CHAIR—I think Mr Bowen is doing as well as he can, Senator Conroy.

Mr Bowen—They are actually working on other priorities.

Senator CONROY—I bet they are.

Mr Bowen—We will get that as quickly as we can.

Senator CONROY—I would like to talk about the cash position of the Commonwealth now, if I could. I understand that, when asked about the management of cash by the Joint Committee of Public Accounts and Audit during its review of accrual documentation published in June 2002, Finance responded:

... I should reassure the committee that we have a very good handle on cash. We know the Commonwealth's total cash balance and the cash balance for each agency. I am told that within a few minutes after midnight ... all of that information is available.

That is off the transcript. I can provide it to you. But I am sure it sounds familiar. Can you provide the closing cash balance for the CRF and each component of the CRF for the financial years 1998, 1999, through to 2002-03?

Mr Bowen—I will take that question on notice as well.

Senator CONROY—I am just going back to what you told a previous parliamentary committee; it may not have been you.

Mr Bowen—I did not tell the committee that. Let us get that on the record. I am not sure who did.

Senator CONROY—All right. I will clarify. I can find out which departmental official volunteered that information to the Joint Committee of Public Accounts and Audit.

Mr Bowen—However, it is true that we can tell the cash position of the Commonwealth at any point in time.

Senator CONROY—The bad news is that it does not name the official in the report, but I am sure you would not doubt—

Mr Bowen—It is not an issue for us. We will take that question on notice and get you the information. But it is true that we do track—

Senator CONROY—‘A few minutes after midnight’ each night: do you stand by that?

Mr Bowen—I am not going to stand by that.

Senator CONROY—I am very disappointed to hear that. It is previous evidence to a parliamentary committee.

Mr Bowen—I am not saying it is wrong either. I am just not saying whether I can do that.

Senator CONROY—Mr Bowen, you are being bashful.

Mr Bowen—I do not look for it at a minute past midnight, but we do have an ongoing, running record of the cash position of the Commonwealth on a daily basis. How often do we reconcile it, Mr Kerwin?

Mr Kerwin—We reconcile daily.

Mr Bowen—It is reconciled daily to the official public account.

Senator CONROY—Mr Kerwin, does this testimony that I am referring to from a previous committee sound familiar?

Mr Kerwin—It does not sound familiar.

Senator CONROY—It does not sound familiar, okay. I am sure we will be able to get the exact name of the departmental official so you can have a chat with them later. Whose desk does this three minutes after midnight report land on each day? Not Mr Bowen’s, clearly.

Mr Kerwin—I have to be frank, there is no-one there at three minutes past midnight on a daily basis.

Senator CONROY—I did not ask what time they received it, I asked whose desk it fell on.

Mr Kerwin—But in terms of how we operate on a normal basis, of a morning the information is downloaded from the Reserve Bank. It is then reconciled to make sure that the transactions that relate to agency balances can be reconciled back to the Reserve Bank, which is what we do. On a daily basis I would expect that, by about midday, we would know exactly how that reconciliation had gone and, if there was a need to follow up any particular things, we would follow them up at that time. The reconciliations happen on a daily basis. They are the first part of the job every morning.

Senator CONROY—I was just asking whose desk the information turned up on.

Mr Kerwin—It is a desk in what has been the budget group within the department of finance.

Senator CONROY—That would be your desk, then?

Mr Kerwin—It is a person's desk in the area that I work in—yes, for sure.

Senator CONROY—It must be a person's desk, unless you have desks for non-people. Would that be your desk?

Mr Kerwin—It is not on my desk but it is on the desk of a person who I work with and who reports to me.

Senator CONROY—That is all I was trying to ascertain. Could you also provide the closing cash balance for the CRF and each component of the CRF for the financial years 1998-99 through to 2002-03 inclusive?

Mr Bowen—We will get you that information.

Senator CONROY—Thank you. Are there any plans to provide additional information on cash flows and accumulated cash surpluses in the budget papers?

Dr Watt—There are.

Senator CONROY—What will they include? What extra information can we expect—perhaps all the old information coming back?

Dr Watt—What we are looking for is providing more detail on cash by way of reconciliations, back to starting points, and also some additional information on programs. I might ask Phillip Prior to join us at the table.

Mr Prior—We are planning to include in the budget papers cash information relating to what we call the reconciliation table. That reconciliation table reconciles the underlying cash position from the previous published budget information to the current published budget information.

Dr Watt—In the last several years that reconciliation has only been done on an accrual basis, a fiscal balance basis.

Senator CONROY—Will that be reconciled to the CRF?

Mr Prior—All cash elements of the Commonwealth are reconciled, and the aggregate number is included in the consolidated financial statements of the budget papers, as Mr Bowen described previously.

Senator CONROY—You may have already answered this question but I just want to get to the components of this: is it possible to provide a full reconciliation between the cash balance, the underlying cash balance and the fiscal balance?

Mr Prior—Yes, there is.

Senator CONROY—That is recommendation 17, isn't it?

Mr Prior—I am not sure what you mean by recommendation 17.

Senator CONROY—Mr Bowen, do you want to help?

Mr Bowen—It is possible, Senator, and I think—

Senator CONROY—No, is it recommendation 17?

Mr Bowen—Of what?

Senator CONROY—Of your memo.

Mr Bowen—Of our memo? I would have to check what we are talking about here.

Dr Watt—Senator, could you enlighten us on ‘memo’?

Senator CONROY—It was in the *Courier Mail* yesterday—that memo. You wrote it. So, that is what recommendation 17 says?

Mr Bowen—Senator, the fact is that we will be doing that reconciliation, yes.

Senator CONROY—As per recommendation 17 in your memo?

Mr Bowen—We will be doing the reconciliation.

Senator CONROY—Will you publish the reconciliation to the CRF, as you did until 1998-99?

Mr Bowen—I think we have already said that we are going to take that issue on notice.

Senator CONROY—Okay. Are the current IT information systems capable of supporting the provision of both cash and accrual information?

Mr Bowen—The current IT systems were designed, as you know, I think, for the introduction of the accrual budget and, yes, we do track cash. However, in the future—and I think this is something which has been known for some time—it will be necessary to replace those systems. When we do we will be looking to collect information on both a cash and an accrual basis at a more detailed level than we currently do.

Senator CONROY—So the current IT systems are not capable of producing this, and that is why you have recommended in recommendation 18 to have them replaced?

Mr Bowen—To provide the level of detail which we believe the government needs on both a cash and accrual basis we do require enhancements to the system.

Senator CONROY—How much will those enhancements cost? Or are you just going to replace the system?

Mr Bowen—That is really a matter for the government at this point in time. There is not much more I can say about that.

Senator CONROY—You have recommended that they be changed—updated or replaced, I am not sure which; I am hoping you will clarify that—but you must know what the cost of that is. Whether the government is going to give you the money or not is, I appreciate, a different question. What I asked you was: what is the cost?

Dr Watt—I think that is a matter with government. We do not think we are able to comment on that at this stage.

Senator CONROY—I am confused. You have made a recommendation, No. 18, in your memo and you do not know the cost of the recommendation you have made. I am not asking you for advice to the government; I am asking you the cost of replacing some computer equipment.

Senator Minchin—We are not putting that on the record.

Senator CONROY—So the public are not allowed to know—

Senator Minchin—It is an internal matter. As and when—

Senator CONROY—It is not an internal matter. This is finance; this is expenditure of public moneys.

Senator Minchin—You just asked what it might cost. You did not say: how much had been spent? As and when any money is spent, of course it will be publicly revealed, as all is.

Senator CONROY—It could go through a special account and then we would never know. It could just be rephased from one year to the next and from one outcome to the next.

Senator Minchin—Any expenditure will be revealed, Senator Conroy.

Mr Bowen—I think it is important to have on the record that any expenditure out of a special account and, for that matter, any rephasing, is published.

Senator CONROY—Eighteen months later, if you know where to look. It is not quite the same as budget transparency. But we will come to this, I promise you. You do not have to feel you are not going to get a chance to correct it or to put your version of the record down. Senator Minchin, will you support publishing the reconciliation of the cash balance, the underlying balance and the fiscal balance in the budget papers?

Senator Minchin—We do that overall, of course.

Senator CONROY—I am not sure that is quite what the question was, and I am also not sure that quite accounts with what Dr Watt and Mr Bowen said. Have you got the answer there? I think Senator Minchin has given you the go-ahead to do it.

Mr Bowen—I think we already do it.

Senator CONROY—In terms of the detail I was talking about previously, Senator Minchin, perhaps you misunderstood me. You do not publish a cash reconciliation, only a GFS to AAS31? Please have a caucus. I am prepared to go slowly.

Mr Bowen—Can we have a clear question? I have lost track of the question.

Senator CONROY—I asked about publishing the reconciliation in the budget papers, and I think Senator Minchin said you do.

Senator Minchin—We do overall.

Senator CONROY—I am not quite sure that is right. You do not publish a cash reconciliation—only GFS to AAS31.

Mr Bowen—I see.

Senator CONROY—They are different things.

Mr Bowen—Yes. We will be publishing a cash reconciliation.

Senator CONROY—In the budget papers?

Mr Bowen—In the budget papers.

Senator CONROY—Not just in the agency accounts 18 months later?

Mr Bowen—No.

Senator CONROY—Okay.

Dr Watt—We do already publish the different numbers on a different basis, as you know; we just do not reconcile them. I think that is what the minister was referring to.

Senator CONROY—As I said, I was sure it was just confusion. I am sure Senator Minchin was not wrong. It was my confused questioning that perhaps led him astray. Is it possible to improve the timeliness of financial information?

Dr Watt—It is always possible to improve the timeliness.

Senator CONROY—I had not quite finished the question. Sorry about that, Dr Watt, I appreciate your keenness. Is it possible to improve the timeliness of financial information provided by agencies to the department of finance, including the underlying cash budget outcome, the accrual budget outcome and the final budget outcome?

Dr Watt—It is always possible to improve that timeliness, Senator.

Senator CONROY—So it should therefore be possible to improve the timeliness of published financial information?

Dr Watt—Insofar as we are able to receive and process information more quickly, we would certainly hope to produce more timely information for publication.

Senator CONROY—Okay. Going back to this reconciliation issue and the information Mr Bowen said you would be publishing, will that be reconciled to both GFS and AAS31?

Mr Bowen—Yes, I think it will.

Mr Prior—I am not quite sure which reconciliation you are talking about. The reconciliation that Mr Bowen referred to was a reconciliation of the underlying cash from the previous budget position to whatever the current published budget position would be. Is that what you were referring to?

Senator CONROY—What I asked about a little while ago—and I know we have now moved on to three or four other different reconciliations—was a full reconciliation between the cash balance, the underlying cash balance and the fiscal balance, and then whether they were going to be reconciled to GFS and AA31.

Mr Prior—There are reconciliations in the budget papers currently between GFS fiscal balance and AAS31 operating result. I am sure you are aware of that.

Senator CONROY—Yes.

Mr Prior—So that is there currently. There are reconciliations of underlying cash in the budget papers as well. The other reconciliation we just referred to was from the underlying cash to underlying cash.

Senator CONROY—Yes.

Mr Prior—Does that complete the set of reconciliations?

Senator CONROY—I am probably almost as confused as you are at this point, but I think that is what we are looking for.

Mr Prior—Some of those reconciliations are in the budget papers; I could refer you to them if you wish.

Senator CONROY—No, that is okay. I will come back to you on that in a minute to make sure we have signed off everything. I am trying to understand whether or not you are going to reconcile cash and accrual.

Mr Prior—Cash and accrual?

Senator CONROY—You seem to think you do, so I am trying to make sure there is not a—

Mr Bowen—We do.

Mr Prior—No, there is not currently an underlying cash to fiscal balance reconciliation.

Senator CONROY—No, there is not currently.

Mr Prior—May I confer with my colleague?

Senator CONROY—Please do; I am as confused as you are.

Mr Bowen—We already publish a reconciliation between the AAS results and the GFS results. That is already in there.

Senator CONROY—Cash, accrual or both?

Mr Bowen—I think so, yes. On page 69 of the final budget outcome document—

Senator CONROY—That is not the budget papers. What I am trying to find out is how much extra information you will be putting into the budget papers—not something that comes out a year and a half later, long after the fact and after everybody in the world has moved on.

Mr Prior—Just to clarify, because I may have misled you, there is a AAS31 operating result to fiscal balance—both accrual concepts—reconciled currently in the budget papers. There is an underlying cash reconciliation in the budget papers, which is more about how it is derived. However, in the budget papers there is not currently a reconciliation of underlying cash to fiscal balance. That is for the record.

Mr Bowen—Clear?

Senator CONROY—Yes.

Mr Bowen—It is something we could take on notice and come back to you about.

Senator CONROY—We need an executive decision, Minister.

Senator Minchin—We have noted what you had to say, and we will have a chat about it.

Senator CONROY—You have no thoughts?

Senator Minchin—No.

Senator CONROY—The minister has indicated that he will have a think about it, so I will not pressure you any further on that. Just so we are absolutely clear—hopefully, I will not mislead you—can you provide a reconciliation between the cash, GFS and AAS31 accrual budgets in the budget papers? The information was there previously. I just want to clarify that so that Senator Minchin—who has much on his plate at the moment—and you are clear on exactly what it is we are seeking to be in the budget papers.

Mr Bowen—To clarify, it might be best if we come back to you with what exactly we currently do and what is planned to be done.

Senator CONROY—We have three things: what was there previously, what is there now and what you are planning to do. That would be great.

Mr Bowen—We can certainly look at that. I am not sure that what was there previously is an issue, because we have been reporting on this accrual basis in the budget for only a short time.

Senator CONROY—I appreciate that not everything will be directly comparable. Please feel free to make that point. If there are a couple of papers that are nonsensical now because you have changed from cash to accrual, you can make the point that these ones were provided previously but are nonsensical—or whatever phrase you want to use.

Mr Bowen—Just to be clear: we are talking solely about the reconciliation area at this point, aren't we?

Senator CONROY—Yes, and I will come back to you if that changes.

Dr Watt—Certainly some of the pre accruals framework reconciliations would not be particularly useful now, but we are happy to have a look at what was done.

Senator CONROY—I appreciate that, and you should make that point—for example, 'We provided you with this, but it is actually of no use anymore.' In that way, it is easy to see. No-one can accuse you of having less transparency if it just does not make any sense anymore. According to the annual report, DOFA failed to achieve eight of its 12 quality targets for whole of government financial and ownership advice as well as two out of three quality targets for outcomes and outputs advice. What steps are being taken to improve the quality and accuracy of this advice?

Mr Bowen—Clearly, the review that has been undertaken of the budget estimates and advice framework was designed to come up with recommendations that would improve the timeliness and quality of the estimates and of the advice from the budget group. At a broad level—and very importantly so—that is our strategy.

Senator CONROY—I was asking what steps you had taken. In the first one, you have identified the problem.

Mr Bowen—I think we have done more than identify the problem—we have identified the problem and we have come up with recommended approaches to the problem. The government is considering the resourcing necessary to enable us to implement those recommendations.

Senator CONROY—I think I have covered this, but I want to go through it again—we have had a bit of a confused conversation, which may be my fault. What we are seeking is for the government to provide a reconciliation between the cash and the GFS and AAS31 accrual budgets in the budget papers.

Dr Watt—I thought you had asked that.

Senator CONROY—I was hoping I had. I want to make absolutely clear that that is what we are asking for. I did not want to leave Mr Prior in particular in any doubt about what we are actually asking for. Is the answer that you are thinking about it at the moment or are going to?

Mr Bowen—The answer is: we will come back to you and tell you what we have done, what we currently do and what we are proposing to do. I think that is what we agreed.

Senator CONROY—What steps are being taken to improve the accuracy of estimates of the cost of programs and to monitor any deviation between actual and estimated costs? This is a really important question.

Mr Bowen—Your question related to what actions we are taking to improve the accuracy of the costings.

Senator CONROY—And to monitor any deviation. That is traditionally Finance's role—to keep an eye on what the rest of them are up to. I want to know, because you have identified a problem in your memo that says there seems to be perhaps not all of the information that you guys need on that minute by minute basis we talked about before, given the department's previous evidence to a different committee.

Senator Minchin—I will set the scene by indicating to you that, as you would expect, following the election the Prime Minister asked us to conduct a review of the budget estimates framework—given that we have had three years of accrual accounting—to ensure that it was providing the government as a whole with the sort of information we required, when we required it, in a central way. A review was conducted. The government has considered the results of the review and made certain decisions to finetune and improve the process, based on the experience of three years of accrual accounting. I am happy for Mr Bowen to speak about the changes that will result from that.

Senator CONROY—To keep it in the context that you have described, would you explain to us what the changes are seeking to address?

Senator Minchin—The objective is timely and accurate information for the government as a whole.

Senator CONROY—I understand the objective. That suggests that you have not been getting accurate information under the system that has been in place for the last three years.

Senator Minchin—No—more timely.

Dr Watt—No, it suggests that you can always look for more timely and accurate information in any system.

Senator CONROY—So it has been perhaps less accurate?

Dr Watt—Incidentally, as part of the process, we went back and looked at our record over a much longer period than just the last three years. It is a need in the workings of modern government to have more timely and accurate information that transcends the new accrual system.

Senator Minchin—I think the emphasis is on the timeliness. If you asked for the information today—

Senator CONROY—No, I asked about deviations.

Senator Minchin—under one system we might say, 'We cannot give you that until next week. We will give you our estimate today but we will give you a more accurate answer next week.' We are saying that we want it today and that is what the changes are designed to ensure.

Senator CONROY—If you are making changes then you must have identified some weaknesses in the system. I am trying to get you to elaborate on the weaknesses in the system.

Senator BRANDIS—I think that is called a non sequitur, Senator.

Senator CONROY—Thank you, Senator Brandis. Just out of interest, the annual report said the review was only called for in May this year, Senator Minchin, not by the Prime Minister after the election.

Senator Minchin—That is not right.

Dr Watt—No. The review commenced in May this year. The Prime Minister did commission the review—

Senator CONROY—It took about six months for Senator Minchin to tell you the Prime Minister had mentioned it.

Dr Watt—No. The Prime Minister commissioned the review at the start of the calendar year, but he was aware that the same people who would be doing the review and who would be deeply involved in it would also have to deliver the 2002-03 budget. Therefore, he appreciated that he could not ask the department of finance to cut its people two ways at once. The review was always scheduled to commence after the 2002-03 budget was put to bed.

Senator CONROY—Page 21 of the annual report does not quite say that.

Dr Watt—I will look at page 21.

Senator CONROY—I am happy to have the record corrected.

Senator Minchin—No, I think that is accurate.

Dr Watt—The review was commenced in May 2002. The review was commissioned—the Prime Minister asked us to conduct a review—in May 2002, and he made that request in January. That is the point I am making: the commencement was in May 2002, as I said, but it was commissioned for May 2002 in January 2002.

Senator CONROY—I guess now is after the election as well. I understand that the Australian National Audit Office audited the final budget outcome of the Commonwealth until 1996-97. Is that right?

Mr Bowen—We are unaware of that.

Senator CONROY—It is a fact. I did not know it was contentious.

Mr Bowen—I am not sure.

Dr Watt—We are unaware of whether that occurred. We are happy to check and get back to you.

Senator CONROY—Could you explain why they no longer audit the final budget outcome?

Dr Watt—As yet, we have not ascertained that they no longer audit. They currently do not audit.

Senator CONROY—Perhaps Senator Brandis could help us there. What is the difference between 'no longer' and 'do not'?

Dr Watt—'No longer' implies that they once did.

Mr Bowen—We are going to check with the Audit Office. I think they are the best people to ask.

Senator CONROY—Are you checking with the Audit Office whether they do or do not?

Dr Watt—No, whether they did.

Senator CONROY—I thought you were absolutely certain that they do not.

Senator BRANDIS—Follow the evidence, Senator.

Dr Watt—We understand very clearly that they do not.

Senator CONROY—So what are you checking with the Audit Office?

Dr Watt—We are checking whether they have a recollection of previously auditing the final budget outcome document.

Senator CONROY—They do. That is what they are about. The document is called ‘Aggregate financial statement prepared by the Minister for Finance and Administration’.

Mr Bowen—Senator, that is a very different document; it is not the final budget outcome document.

Senator CONROY—The Audit Office are going to be shocked to hear that. I promise you that they are going to be shocked to hear that.

Mr Bowen—They now audit the consolidated financial statements of the Commonwealth.

Senator CONROY—That is not the same as the final budget outcome.

Mr Bowen—No, it is broader.

Senator CONROY—It is not the same thing.

Mr Bowen—It is broader; it covers the entire Commonwealth.

Senator CONROY—It is not the same thing; it is not even close to the same thing.

Mr Bowen—No, it is not the same thing; it is broader.

Senator CONROY—The impression that that answer would give, Mr Bowen, is that they give the same level of scrutiny to the final budget outcome now that they did previously, and that is certainly not the case. The impression gained from your answer that it is broader seems to imply that they are still doing that, and they do not.

Mr Bowen—Maybe that is a question for the Audit Office.

Senator CONROY—The good news is that they come along a bit later on today. I think you said that you are going to phone and check that.

Mr Bowen—Yes, we have.

Senator CONROY—Do you understand that the Joint Committee of Public Accounts and Audit recommended that the Australian National Audit Office resume auditing of the final budget outcome? That tends to imply that they do not anymore.

Mr Bowen—We know they do not.

Senator CONROY—Unless that parliamentary committee was misled by the Auditor-General and perhaps by your own department, they are complete geese.

Mr Bowen—We know they do not audit the current final budget outcome, Senator.

Senator CONROY—Is there any practical reason why they cannot audit the FBO?

Mr Bowen—Our answer to that question really is that the report from the JCPAA is now a matter for the government to respond to. We will be advising the government on that, but the government is considering its position. I do not think it is really appropriate to go through it.

Senator CONROY—So the answer is that there is no practical reason why they cannot, that it is a matter of the decision.

Mr Bowen—My answer is that the government is considering that matter as part of its response.

Senator CONROY—To narrow it down to the pointy end, did the department of finance recommend previously that that audit cease or was it a government decision that it cease?

Dr Watt—Senator, we traditionally do not disclose recommendations we provide to government on matters of policy.

Senator CONROY—Did the government make that decision?

Dr Watt—I do not know, Senator.

Senator CONROY—Can we find out?

Dr Watt—We can check whether there was a published decision.

Senator CONROY—We are still allowed to know even if they are not published.

Dr Watt—It would be a matter for government whether they would be prepared to release an unpublished one.

Senator CONROY—But you must know whether the government said that.

Dr Watt—We are happy to take the question on notice, Senator.

Senator CONROY—I want to come back to Mr Bowen and the broader ambit of what ANAO do. Are the consolidated financial statements prepared according to a different set of accounting standards than the budget—that is, AAS31 rather than GFS?

Mr Bowen—The budget is prepared on two sets of accounting standards, one of which is AAS31; and, yes, the consolidated financial statements are prepared on the basis of AAS31.

Senator CONROY—Rather than GFS?

Mr Bowen—Rather than GFS, yes.

Senator CONROY—So that broader audit is not conducted on the same basis as the old audit?

Mr Bowen—The documentation is very different. If you are talking about the audit of—I forget what it was called, but effectively—the cash flows, I do not think it was an audit of the budget but an audit of the public account. Of course, the public account is audited by the Auditor-General as part of his annual audits, certainly of Finance and of the consolidated financial statements.

Dr Watt—I think the important point Mr Bowen is emphasising is that the documentation is now very different as a result of the Charter of Budget Honesty. We have a very different final budget outcome from what we had before. We did not call it that, if my memory serves me correctly. If you would like, we are happy to undertake to compare the documentation previously published and audited on the budget outcome with what we have now and indicate differences and similarities. I think it is so different that they are very hard to compare. We would be happy to do that for you.

Senator CONROY—Sure. Why is it that the budget is prepared on its own set of GFS accounting standards—as opposed to the consolidated financial statements?

Mr Bowen—It is not its own set of standards. The GFS are an international set of standards, developed and endorsed by the IMF and used as a basis on which you can get comprehensive consistency between countries for comparative purposes. It is supported fully by the Australian Bureau of Statistics. It is not as if it is a particular standard that is applied in the Australian budget context.

Senator CONROY—Is that supported by the Australian Accounting Standards Board?

Mr Bowen—We have had some discussions recently with the Australian Accounting Standards Board and there is a move to harmonise the GFS and the AAS. My knowledge is that the Australian Accounting Standards Board has agreed to undertake work on that issue.

Senator CONROY—That is a roundabout way of saying no, the Australian Accounting Standards Board does not agree with it.

Mr Bowen—No, it is not.

Senator CONROY—Have they not specifically designated AAS31 as the accounting standard for government to take account of the differences between the public and the private sectors?

Mr Bowen—I think AAS31 is based very heavily on private sector accounting standards, if the truth be known. It is a standard specifically for government, but the Accounting Standards Board is supportive of taking on the task of looking at how those two standards can be harmonised. Clearly, having two standards is a complicating factor for people trying to read the budget papers. There is no doubt about that. To have one standard based on a harmonised GFS with AAS is a laudable objective.

Senator CONROY—Sure. And you have even recommended it at No. 14. I think I waved this around before and you said it was a very different document. To save Dr Watt's office the phone call, it says, 'I have audited the aggregate financial statement for the Minister of Finance for the year ending 30 June 1996'—this is the next year—and he says 'The aggregate financial statement comprises—bang, bang, bang—budget outcome 1995-96.' It is quite clear in here that they did.

Mr Bowen—It is a very different document—

Senator CONROY—I appreciate it is a different document but he makes the point. He states in black and white, 'We audited the final budget outcome,' which they do not do right now.

Mr Bowen—But they do. They do audit what is the equivalent of that today.

Dr Watt—I think there may have been a name change for the documentation. We will trace this through for you.

Senator CONROY—It is audited but on a different basis.

Dr Watt—No, it may be that what the auditor is referring to as the final budget outcome was quite a different document from the one that was produced today.

Senator CONROY—To come back to the question I asked earlier, is there any practical reason why they cannot audit the final budget outcome?

Dr Watt—I think we have answered that, Senator.

Senator CONROY—I do not think you did at all. You said you were thinking about it. Is there any practical reason why it cannot be done?

Dr Watt—I think we have answered that.

Senator CONROY—Perhaps you would like to repeat your answer.

Dr Watt—I am sure it is captured in *Hansard*.

Senator CONROY—I am afraid I have not got *Hansard* handy, so perhaps you would like to repeat your answer.

Mr Bowen—I am happy to repeat it for you.

Senator CONROY—Thanks. Sorry, Dr Watt, I did not mean to give you a hard time.

Mr Bowen—This is a matter that is before government. The government is considering that issue, along with all the other recommendations of the JCPAA.

Senator CONROY—I want to ask about special accounts, which got a bit of a guernsey earlier. What are special accounts?

Mr Lawson—Special accounts are created under the Financial Management and Accountability Act. There are two sorts of them: section 20 special accounts, which are determinations by the finance minister; and section 21 accounts, which are created in legislation. A special account is an amount which is hypothecated for a particular purpose. The determination or the legislation sets out the purposes for the expenditure of that special account, and there is a standing appropriation for that amount.

Senator CONROY—The DOFA web site states:

- A Special Account is a ledger within the Consolidated Revenue Fund established by Section 81 of the Constitution ... (which) allows an identified amount of money to be set aside and spent for specific purposes.

That is consistent with what you said?

Mr Lawson—Yes.

Senator CONROY—How many special accounts are there?

Mr Lawson—I would have to take that on notice; I do not know.

Senator CONROY—I have managed to count past 200—I think I have got it up to about 214. There were 240, but 16 have been abolished. A number of others have just disappeared from agency accounts without any explanation. That could just be because they have been abolished or merged; it is hard to tell. If you are able to let us know, that would be good. I understand that there is a register of special accounts contained in the DOFA web site.

Mr Lawson—Okay.

Senator CONROY—Does this register contain all the current special accounts?

Mr Lawson—I am not able to answer that.

Senator CONROY—You are not familiar with this register?

Mr Lawson—No, I am not, but I am happy to find out about it.

Senator CONROY—Is anyone familiar with the DOFA web site?

Dr Watt—I think we are familiar with the web site, Senator.

Senator CONROY—Is anyone familiar with the register? Mr Lawson is not. Is anyone in the room familiar with the register? I just want to know whether the register is meant to contain them all or if it does contain them all. It could just be that it is not up to date.

Mr Bowen—The advice I have just received is that the register contains all of the special accounts that have been set up under the FMA Act but does not contain accounts that have been set up under specific pieces of legislation.

Senator CONROY—So there could be more?

Mr Bowen—There would be more.

Senator CONROY—Excellent! Where would I find them? Does anyone keep a register of them? I have a printout—

Mr Bowen—We do have details of all of those within the department.

Senator CONROY—This is a printout of the web site as it stands at the moment.

Mr Bowen—We do have a record of those, yes.

Senator CONROY—Are they on a web site anywhere?

Mr Bowen—I think I said they were not on—

Senator CONROY—But are they on a separate one?

Mr Bowen—Not to my knowledge.

Senator CONROY—Are they recorded anywhere that is publicly accessible? That is really all I am asking. Are they recorded separately anywhere? Do you keep a register of them separately?

Mr Bowen—I said we do, but they are not on the web site.

Senator CONROY—Is there a reason those ones in particular are not on the web site? They could not be listed as a separate section?

Mr Bowen—Look, to my knowledge—

Senator CONROY—I know it is hard to keep track of them all. I know you have been having trouble keeping track of them all.

Mr Bowen—To my knowledge there is no reason why they should not be public, Senator, at all.

Senator CONROY—I cannot imagine there would be a reason, other than that they are bloody tricky little things that those departments just do not seem to be telling you about too much.

Dr Watt—I am not quite sure that is correct. Departments report special accounts in their annual reports.

Senator CONROY—I am hoping they have told you about them, that is all.

Dr Watt—But there is no requirement for them to tell us about them.

Senator CONROY—Is that a recommendation, Mr Bowen, in your memo?

Mr Bowen—What?

Senator CONROY—That they should be required to tell you when they set up a special account?

Mr Bowen—I am sorry, that was not what Dr Watt was saying. I think we made it very clear earlier that they are established in two ways: firstly, by the minister for finance making a determination—and of course we are involved in that; and, secondly, through legislation specifically. We would be involved in that to the extent that we are involved with any piece of legislation that has financial implications.

Senator CONROY—The finance minister has to open and close them all. So they all have to pass through you at some point?

Mr Bowen—All of those that are established under the FM Act, yes. Others are subject to the parliament.

Senator CONROY—The individual departments?

Mr Bowen—To the parliament, I said.

Senator CONROY—Sorry, to the parliament.

Mr Bowen—Because they are specifically provided for in other pieces of legislation.

Senator CONROY—Do you know how many Commonwealth agencies have special accounts?

Mr Bowen—We could get that information, but I do not have it sitting in the front of my mind.

Senator CONROY—I understand that. Is it possible to get that at some stage this morning?

Mr Bowen—We will endeavour to do that.

Senator CONROY—I would just like to ask you about the web site address for the register of the special accounts. Have you ever tried to access it?

Mr Bowen—Do I have to answer that question?

Senator CONROY—No, you can plead to be one of those ignoramuses like me on computers. It is all right. Do not be ashamed. We are fighting back.

Mr Bowen—I am not ashamed, but can I say that I think we are addressing our web site at a broader level.

Senator CONROY—Excellent. I want to ask you about the web site address. Currently, the general web site address reads: www.finance.gov.au. The 'Special Accounts and Business Operations' page is at: finframework/special%5Faccounts%5Fand%5Fbusiness%5F.html. Why have you got '%5F' four times in the middle of the address?

Dr Watt—I do not think that is a question we have an answer for.

Senator CONROY—It just seems that interspersed among the simple words 'special', 'accounts' and 'business' there is gobbledegook that would make you think that someone has typed the wrong thing in there and just left it. The way the Web works—and even I have managed this part, so I am hoping, Mr Bowen, you have occasionally ventured there—is that you type in words like 'special accounts' and that takes you to the relevant place. But if you just type the words 'special accounts' in, it is a pretty tricky one to track down, because it says: 'special%5Faccounts%5Fand%5Fbusiness%5F.html'.

Dr Watt—We are happy to look at a simpler web address for our special accounts material.

Senator CONROY—Because the conspirators would think that, with a web address like that, you are not trying to help people find them. But I am not a conspirator.

Dr Watt—I am delighted to hear it.

Senator CONROY—I am sure that, as you said, you will look at simplifying the web address of special accounts.

Senator BRANDIS—What are you doing in the Labor Party if you are not a conspiracy theorist, Stephen?

Senator CONROY—Senator Brandis, you should not start on internal party matters. You have just had the drubbing of your life. Senator Minchin has not stopped smiling over your drubbing, so I would not go there. At least Senator Mason can hold his head up.

Proceedings suspended from 10.29 a.m. to 10.43 a.m.

CHAIR—Senator Conroy, would you like to continue with general questions?

Senator CONROY—I think we finished with the web site address.

Dr Watt—We will get back to you shortly on that; there is a misconception about our web site address.

Senator CONROY—As I said, a conspiracy theorist would have a misconception.

Dr Watt—No, not that sort of misconception.

Senator CONROY—When were special accounts first created, and on what legislative basis?

Mr Hutson—The term ‘special account’ was created with the FMA Act in 1998 but, in large order, I suspect most of the accounts have existed for quite some time before that. They were part of a series of funds of the CRF that existed previously.

Senator CONROY—So it was in 1999, following an amendment to the FMA Act?

Mr Hutson—In 1999, following an amendment to the FMA Act, the term ‘special account’ was created, but many of the accounts—I suspect most of them—existed prior to 1999.

Senator CONROY—Who can create a special account?

Mr Hutson—Special accounts can be created in two ways, as has previously been mentioned in evidence this morning: either under section 20 of the Financial Management and Accountability Act or under separate legislation.

Senator CONROY—And there are disallowable instruments that the finance minister signs off on?

Mr Hutson—The ones that are created under section 20 are disallowable instruments, that is correct.

Senator CONROY—Have we had a chance to track down how many have been created by the second method: through acts of parliament? If we have not, that is okay. You had come to the table so I thought you might know off the top of your head.

Mr Hutson—Sorry, I do not have that information readily to hand.

Senator CONROY—Okay. How many days is parliament given to disallow a special account? I presume the ones that are created by legislation are not disallowable?

Mr Hutson—They were created by the legislation; the legislation is of course—

Senator CONROY—I presume that, by definition, they are disallowable by a vote on the legislation. But they are not created and then there is a delegation within the legislation to create a special account—they are actually named within the legislation? Legislation can do many things; it could delegate them to be a disallowable instrument.

Mr Hutson—Sure. I might talk to Mr Lawson about this.

Mr Lawson—They are passed after five sitting days.

Mr Hutson—We are talking about the other one, section 21 accounts.

Mr Lawson—No.

Mr Hutson—We do not know whether or not legislation is of the nature you have described.

Senator CONROY—It was just a matter of interest. I think you said it was five days, Mr Lawson?

Mr Lawson—Five sitting days, that is correct.

Senator CONROY—Have any special accounts been created in 2002 under the current minister for finance?

Mr Culhane—We can get that information for you, Senator.

Senator CONROY—Senator Minchin, do you recall if you have created any?

Senator MINCHIN—Off the top of my head, I am not aware of any, but we will confirm that.

Senator CONROY—I have got a few here.

Mr Hutson—I have been reminded that there have certainly been at least one or two created that we are aware of, and they were following the change to the administrative arrangement orders regarding the management of Commonwealth property.

Senator CONROY—I have got one here for the PSS special account and the CSS special account with Senator Minchin's name on the bottom of them.

Mr Hutson—Yes, that special account was created following the prescription of the PSS and CSS boards as—

Senator CONROY—I do not want to go there or Senator Sherry will jump in and steal my thunder, so we will quickly pass on from the discussion of that. I do not want to let him off the leash yet; he is fired up. What were the total revenue and expenditure and the closing balance on all special accounts in each financial year from 1998-99 through to 2002-03, inclusive? I would imagine you would have to take that on notice.

Mr Hutson—I think we will take that one on notice.

Senator CONROY—But you would be able to provide that information?

Mr Hutson—We certainly should have that information available.

Senator CONROY—Could I also get the revenue expenditure and closing balance on each special account for each financial year from 1998-99 to 2002-03? That is not just the total revenue and expenditure and closing balance but the—

Mr Hutson—Isn't that the same?

Senator CONROY—Yes, I think I have already covered that. I understand that special accounts can only be spent on designated purposes. Is that correct?

Mr Lawson—That is correct: the expenditure purposes of the special account.

Senator CONROY—How are these purposes defined? Or, in other words, how much scope is there for discretion in how special account funds are spent?

Mr Hutson—Perhaps we could focus on the section 20 ones. I think they are your area of interest.

Senator CONROY—Yes, please.

Mr Hutson—So we are just talking about section 20 special accounts. The determinations which are issued by the minister set out the purposes of the account. How much control there is is limited to the purposes as set out in the determination.

Senator CONROY—I will go back to the question I asked before about the total revenue and expenditure and closing balance on all special accounts, which you said you could get.

Mr Hutson—That includes section 21 and section 20.

Senator CONROY—Could I have each individual revenue and expenditure and closing balance on each individual account. I asked for the total and then the individual.

Mr Hutson—Sure.

Senator CONROY—I did not quite hear your answer, Mr Hutson. I was asking how much scope there is for discretion in how special account funds are spent.

Mr Hutson—There is no discretion outside the purposes for the account which are set out in the determinations.

Senator CONROY—How is the designated purpose of DOFA's business services trust account defined?

Mr Hutson—I will pass to Mr Hodgson on this question.

Senator CONROY—I was just wondering if someone could read it out.

Mr Pahlow—I will read from the determination under section 20 of the FMA Act for the business services trust account. It states:

For expenditure relating to:

- (a) (i) the provision of services and matters incidental thereto being in the field of transport, printing, publishing, procurement, disposal, protection, guarding, security, storage, warehousing, packaging, analytical testing, laboratory valuation, construction project management, equipment management contract administration, real property agency, property management, surveying, land information, construction, construction design, information technology, establishment and facilities management, administrative, and related services, and any combination, co-ordination or arrangement of the above mentioned services to the Commonwealth or to a Commonwealth body or to a company over which the Commonwealth or a Commonwealth body is able to exercise control, inside or outside Australia.

Subparagraph (ii) says:

- (ii) the provision of services referred to in (i) above and matters incidental thereto, to any other person or persons, inside or outside Australia.

Paragraph (b) states:

- (b) For expenditure relating to each of the following trust accounts pending its closure Australian Government Analytical Laboratory Trust Account; Purchasing and Sales Group Trust Account; Australian Government Services Trust Account; Australian Protective Service Trust Account;
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Australian Property Service Trust Account; Transport and Storage Group Trust Account; Australian Valuation Office Trust Account; Australian Survey and Land Information Group Trust Account ...

Paragraph (c) says:

(c) For expenditure comprising payments of moneys to the Consolidated Revenue Fund other than payment of a type expressly required to be paid to that fund under legislation.

Senator CONROY—Thank you. That is a pretty broad definition. Is there anything in the world that would be excluded? Is there any activity not encompassed by that?

Mr Hodgson—The business services trust account was set up to cover the activities of the previous DAS businesses which—as I am sure you are aware, Senator—were quite comprehensive in their nature and took on many private sector activities. So there is quite a range of activities which are covered.

Senator CONROY—Just about any activity that you could imagine.

Mr Hodgson—That was the purpose of the accounts set up.

Senator CONROY—So it is incredibly broad.

Mr Hodgson—Yes. My understanding is that those accounts were set up in 1991.

Senator CONROY—How are special accounts funded?

Mr Hutson—They operate in a number of different ways. They get money either from appropriations or from their own activities. For example, the property special account charges rent and that rent is then paid to the special account.

Senator CONROY—Okay. So it is appropriations and other activities.

Mr Hutson—Yes.

Senator CONROY—Where are the appropriations to special accounts shown in the budget?

Mr Bowen—They will be shown in the appropriations for a particular department for a particular purpose. I do not know whether there is more I can say about that.

Senator CONROY—So they are not recorded in the budget.

Mr Bowen—Well, they are.

Senator CONROY—They are not shown separately.

Mr Bowen—Jonathan Hutson has used the example of Finance's property account. From time to time, there have been capital appropriations to Finance to fund property development works. Those appropriations are shown quite separately and they are for the purpose of the property special account.

Senator CONROY—I am trying to find out where they are, simply. I understand they are in the agency annual reports which, as we have talked about, are 18 months after the fact. Did you want to add anything?

Mr Bowen—No, Senator.

Senator CONROY—The agency reporting table shows a column titled 'Special Appropriations', but the text states that this refers to the 70 per cent of expenditure providing funds for specific purposes—that is, to finance a particular project or program—and it does not refer to appropriations to special accounts.

Mr Hutson—That is accurate. I suspect that special appropriations are rarely paid to special accounts.

Senator CONROY—Why has the Finance brief entitled ‘Integrating special accounts into outputs appropriations’ been withdrawn from your web site?

Mr Hutson—I do not have an answer for you at this stage.

Senator CONROY—Please take it on notice. Appropriations to special accounts do not lapse. Is that correct?

Mr Hutson—Appropriations to special accounts?

Senator CONROY—Yes.

Mr Bowen—Once money is appropriated into a special account, the money stays in that special account unless it is spent or returned to the budget, which happens.

Senator CONROY—You live in hope!

Mr Bowen—We can give examples.

Senator CONROY—On one hand only.

Mr Bowen—Certainly money has been returned from the BSTA in recent years and has been returned from the property account. They are two I can mention.

Senator CONROY—You used to look after those ones, though. Could we get a copy of the Finance brief ‘Integrated special accounts into outputs appropriations’? You were going to look for it.

Mr Hutson—I am not familiar with it at all. The question that you asked on notice previously was why it was withdrawn. I said I did not know the answer to that question.

Senator CONROY—I am asking that, when you answer that question, you also ask for a copy for us.

Mr Hutson—I will see whether that is available.

Dr Watt—With regard to checking the currency of a number of items on our web site that may have got a little dated, if the brief is still accurate we would be happy to provide it.

Senator CONROY—I would not want you to give me inaccurate information. Let’s not set a precedent! Mr Bowen, we were talking about special accounts not lapsing and the money being kept. It appears that there is a sum total of around \$24 billion in the special accounts. Does that ring a bell at all?

Mr Bowen—I would have to check and get back to you on the total. It seems a rather large amount to me. You are saying there is a balance in those accounts?

Senator CONROY—Possibly.

Mr Bowen—Just on the basis of my recollection of the total amount in the official public account, I do not think it has been that high for a very long time. We will check.

Senator CONROY—So the unspent appropriations do accumulate in individual special accounts.

Mr Bowen—Yes, they are appropriated to the special accounts. They stay there, and they form part of the official public account.

Mr Hutson—This might clarify things. Under section 20 of the Financial Management and Accountability Act, there is an appropriation for the amounts in the special accounts, subject to the determinations, which are issued by the minister. When you say the appropriation does not lapse, it sits there, as is written in the Financial Management and Accountability Act. The only way the money can be taken out is in accordance with the purposes of the special account, which is controlled by the determination itself.

Senator CONROY—But Mr Hodgson agreed that it was a very broad determination in the case that we talked about. He read it all out. It covers incredibly—

Dr Watt—I do not think Mr Hodgson quite agreed with that. I think what Mr Hodgson said was that because the BSTA related to the purposes that—

Senator CONROY—An incredibly broad range of activities. I am not sure whether Hansard recorded this, but I thought he said yes when I said ‘a broad range of activities’.

Dr Watt—I think what Mr Hodgson said was that, because the BSTA covered the range of businesses of the former DAS, it was necessarily broad, but that was not to say that it was any broader than the range of businesses of the former DAS. So, in one sense, while that range of businesses was quite broad, the purposes for which they are targeted are in fact quite specific—that is, they deal with the businesses of the former Department of Administrative Services.

Senator CONROY—Given the definition that Mr Hodgson read out, which I think we agreed is broad, why haven’t you redefined the objectives? Would it make more sense, given that you are saying, ‘It’s really only a narrow thing’? Why haven’t you redefined?

Dr Watt—As I understand it, the trust fund is used in relation to any expenditure that comes up pursuant to the former DAS businesses. We can have expenditure arise due to outstanding liabilities or whatever for any of those businesses, and that is why the trust fund definition remains fairly broad.

Senator CONROY—What type of funds can be credited to a special account?

Mr Hutson—I thought we had answered that question.

Senator CONROY—Any funds related to the purpose of the special account I presume is the answer?

Mr Hutson—Yes.

Senator CONROY—Your web site says:

Amounts that may be credited to a Special Account are generally determined in broad terms—

There is that word again, Dr Watt—

and may include amounts appropriated by the Parliament under another appropriation item. The Appropriation Acts provide that, if any of the purposes of a Special Account are covered by an item (whether or not the item expressly refers to the Special Account), then amounts may be debited against the appropriation for that item and credited to that Special Account.

Does that sound familiar? It was taken from your web site.

Mr Hutson—There are two points I want to make. I reiterate the words that Dr Watt mentioned earlier—that we are having a close look at our entire web site at the moment as part of that exercise. But the words you read out there are not inconsistent with the other evidence which we have given this morning.

Senator CONROY—I am not suggesting it is. Is the money received from sources other than appropriations able to be spent by the agencies?

Mr Hutson—Received other than into the special accounts? Yes, pursuant to the appropriation and subject to the purposes.

Senator CONROY—When funds are received from other sources, is the appropriation to that special account reduced accordingly?

Mr Hutson—I am not quite sure of the question. The appropriation is contained within section 20 of the Financial Management and Accountability Act. In fact, if you like, the more revenue the special account earns—I give the example of the property special account through the receiving of rents—the more that is then available within the special account to be spent on the purposes of the account.

Mr Bowen—The issue there is that that is a matter for a decision by the government in its budgeting process. It may be that an account is required to be self-supporting through cost recovery, either internally or externally. In those circumstances, any appropriation may be reduced or done away with, but it depends very much on a case by case decision by government as to how that would work.

Senator CONROY—I think that is the answer: they can be reduced. So, if you earn income on your property, it is possible for the equivalent amount to be taken back out.

Mr Bowen—That account, for instance, gets no—

Senator CONROY—I am picking on an individual account because if it is not—

Mr Hutson—With regard to the property account, can money be taken out of the account? Subject to the purposes, the answer is yes and, indeed, the property special account—

Senator CONROY—I was not asking whether it can be taken out. I appreciate that it can be taken out; we have agreed on that. This question is: when you receive some income, do you then offset it by taking money and paying it back to the central—

Mr Hutson—Again, that is frequently subject to the decisions of government. The answer is yes.

Senator CONROY—But not in all cases. I think Mr Bowen was saying it is on a case by case basis.

Mr Hutson—Yes.

Senator CONROY—Where is the receipt of these funds recorded in the budget papers?

Mr Bowen—The receipts and disbursements from special accounts are recorded in the portfolio budget statements of individual agencies.

Senator CONROY—If you get other source income and it is not returned, you can end up with more money in your special account than was originally appropriated, though.

Mr Bowen—Yes.

Senator CONROY—That is right. By definition, if it comes in and you do not take the same amount out, you actually have more money than parliament allowed you to appropriate.

Mr Bowen—That can happen, but of course that happens departmentally as well, in departmental appropriation statements.

Senator CONROY—This is about transparency, though.

Mr Bowen—There is transparency, but I think there is in both cases.

Senator CONROY—Perhaps one is fractionally less transparent than the other, though. How is the parliament informed about the increase in money spent by agencies if you do not return it? You have more money than you appropriated; suddenly you have this money. How does parliament find out that you have spent this extra money that was not appropriated?

Mr Bowen—It finds out in two ways. The portfolio budget statements of agencies would have estimates of sources of revenue, including appropriation and other sources of revenue, and estimates of expenditure and of special account balances. That is before the event. After the event, the annual financial statements of agencies must show what has happened in their special accounts.

Senator CONROY—As you said, that is 18 months after the fact. You did say after the fact.

Mr Bowen—I am sorry; I said ‘before the fact’. At budget time, in the portfolio budget statements of agencies, they have to report on what they are budgeting. After the event they report, like everything else, on what has actually happened.

Senator CONROY—But a long time after.

Mr Bowen—They report on the same basis as they report for other departmental expenditures.

Mr Hutson—Senator, in your previous question you suggested that money might be spent without appropriation. That is not the case with regard to special accounts because there is an appropriation for all money spent from special accounts in accordance with their purposes.

Senator CONROY—I would not argue about that. My question is: what happens when you get some extra money on the side, and how does parliament know (a) you have received it and (b) what you have spent it on?

Mr Hutson—The point I was trying to make was that when you get, as you described, extra money on the side, that money and the expenditure of it is still appropriated; it is just that the appropriation is contained in the FMA Act.

Senator CONROY—But it is extra money that has come in, so by definition it has not been appropriated.

Mr Hutson—It has not been appropriated as it comes in, but it is appropriated as it goes out because the appropriation exists in section 20 of the FMA Act.

Senator CONROY—I will come back to that. Can you confirm that the revenue and expenditure on special accounts are not separately reported in the budget papers but only in agency annual reports?

Mr Bowen—No.

Senator CONROY—You seemed to indicate that they are in the individual portfolio budget statements.

Mr Bowen—They are reported in two places. The first is the individual agency portfolio budget papers, which are part of the budget papers for the Commonwealth. That is at budget time. After the event—you are right—they are reported in the annual financial statements of those agencies.

Senator CONROY—Are those portfolio budget statements part of the budget papers, in your view?

Mr Bowen—Very definitely. They are part of the budget papers, yes.

Senator CONROY—Do you think there is a difficulty in dealing with the extra expenditures that come in so long after they have happened, because they are only reported in an annual statement?

Mr Bowen—I am having difficulty in seeing what is different compared with normal—

Senator CONROY—Extra money is coming in. You appropriate an amount of money in the PBS—

Mr Bowen—Let us be very clear on this, because special accounts are not the only accounts to which what we call section 31 receipts can be provided. A normal departmental operation—

Senator CONROY—Yes, but \$24 billion is not wandering around in all the other types of accounts—or I hope it is not. That is the reason for the extra focus, Mr Bowen. It is not just a question of a similar situation with regard to other things; it is a question of a situation where lots of money is moving through these accounts.

Mr Bowen—Senator, let us be clear on two things. We have not established that there is \$24 billion in these accounts—and we will get the figure on what is in there. Yes, there is significant money passing through those accounts, but there is also significant money passing through departments other than through special accounts. They are all reported on a similar basis.

Dr Watt—It might also be worth while making the point that special accounts are all audited, just as the department's other accounts are audited. Expenditure from a special account impacts the budget in just the same way as expenditure for many other purposes and is treated accordingly.

Senator CONROY—I am not arguing that there are not similar vehicles. The point I am making is that in this particular type of vehicle, which is a relatively new vehicle—

Dr Watt—I think there is a misunderstanding between us, Senator. While special accounts were set up in 1997, as I think we have already testified, many of them were just simply 'rebadged', if I can use that word—and I think my colleagues would agree. Many of them were just simply rebadged trust funds under the previous arrangements, and there is nothing different about them. Many of them have a very long history.

Senator CONROY—I would put it to you that the reporting mechanism is different.

Dr Watt—In the sense that they are not produced in Budget Paper No. 4.

Senator CONROY—Yes, and this is a discussion about transparency.

Dr Watt—But they are transparently produced in agency PBSs—

Senator CONROY—They are just transparently different.

Dr Watt—and also in their annual reports.

Mr Bowen—Just on the balance on these accounts, the information I have is that the balance is of the order of \$3 billion, certainly not \$24 billion.

Senator CONROY—The current balance?

Mr Bowen—The current balance is of the order of \$3 billion.

Senator CONROY—If the balance is \$3 billion, how much passed through them in the 12-month period?

Mr Bowen—Around \$8 billion.

Senator CONROY—I want to return to the business services trust account. I understand that \$32 million was paid by Finance in a settlement of the dispute with Macquarie over Dasfleet and that that came from the BSTA. Is that right?

Mr Pahlow—Not all of it came from the BSTA. Some portion of it came from departmental funds.

Senator CONROY—Could you give me a breakdown?

Mr Pahlow—Approximately \$11 million of that amount came from departmental funds.

Senator CONROY—Which part of departmental funds; what line item?

Mr Pahlow—Mainly those costs associated with employee costs, the payment of consultants, the payment of legal fees—those sorts of costs.

Senator CONROY—So that leaves \$21 million.

Mr Pahlow—Approximately. I would have to calculate the numbers. Those amounts are set out in the ANAO's audit report of the Dasfleet contract management.

Senator CONROY—The Auditor-General said that the \$11 million was extra for legal costs and not actually part of the \$32 million.

Mr Pahlow—I do not recall the Auditor-General actually mentioning \$32 million.

Senator CONROY—I do not think the Auditor-General has a figure of \$32 million, but the \$11 million is separate from the amount that came out of the special accounts.

Mr Pahlow—That is correct.

Senator CONROY—Where I get the 32 is looking at the Auditor-General's report and adding up some figures. I do not think he writes '32', but if you add the figures up you get 32.

Mr Pahlow—You get to around \$32 million; not exactly, but around \$32 million.

Senator CONROY—So \$32 million was paid out of a special account?

Mr Pahlow—No. Of the approximately—

Senator CONROY—Help me here, because you have lost me.

Mr Pahlow—Of the approximately \$32 million you have mentioned, \$11.2 million came out of departmental funds. So, when you add up all the numbers to get to that approximately \$32 million, \$11 million came out of departmental funds. The balance, which was payments related to the dispute together with undisputed amounts, came out of the business services trust account or was paid into the business services trust account. That \$32 million is a net amount.

Senator CONROY—How does the settlement of a legal dispute relate to the designated purposes of BSTA? Could you have taken any money out of that?

Mr Pahlow—Could we have taken money out of the BSTA?

Senator CONROY—Do you have to pay the legal fees from DOFA?

Mr Pahlow—According to advice we have received we could legitimately have paid those out of the BSTA. We chose not to.

Senator CONROY—You could?

Mr Pahlow—Yes.

Senator CONROY—On what basis did the legal advice believe that you could? Was it related to transport?

Mr Pahlow—Under the head ‘expenditure of transport’, yes. That is the basis on which settlement amounts were paid out of the BSTA.

Senator CONROY—That is a broad definition of transport.

Mr Pahlow—A broad definition? Transport—cars.

Dr Watt—Again, it was quite specifically to do with the activities of former DAS business.

Senator CONROY—Sure, but you went and got legal advice to make sure that it was broad enough.

Dr Watt—We are cautious people—we hope.

Senator CONROY—I understand that, as part of the Dasfleet settlements, Macquarie paid Finance \$8 million.

Mr Pahlow—Yes, that is correct.

Senator CONROY—And this was paid into the BSTA?

Mr Pahlow—Yes, that is correct.

Senator CONROY—Why was it paid into the BSTA?

Mr Pahlow—We had legal advice that indicated that that was the appropriate place for it to be paid. We paid amounts out, and it was therefore appropriate for it not to go to the department but to the special account.

Senator CONROY—You spend a lot of time getting legal advice on the special account and its heads of power.

Mr Pahlow—As the secretary said, we are rather careful in the use of the special account.

Senator CONROY—How will the ethanol fuel production subsidy announced by the Prime Minister in September be paid? Will it be paid through a special account?

Dr Watt—We are not aware of the exact arrangements for paying the ethanol fuel subsidy. You would have to take that up with the relevant portfolio.

Senator CONROY—Minister, you are not aware?

Senator Minchin—It would be either Industry or Treasury, but I am not sure off the top of my head.

Senator CONROY—It will not be paid out of a special account?

Senator Minchin—I cannot tell you that. I am not sure.

Senator CONROY—You open them.

Senator Minchin—Yes, and I have not signed one for that purpose. I am not sure how that subsidy is being effected. Do you, Mr Bowen?

Mr Bowen—My advice is that it is being handled by Agriculture, Forestry and Fisheries. But they have not yet firmed up on a mechanism.

Senator CONROY—Is one of the options a special account?

Mr Bowen—I do not know.

Senator Minchin—If it was and there was not one available they would need legislation to deal with it—

Senator CONROY—You could just open one any time you like.

Senator Minchin—or ministerial determination which is disallowable by you in the Senate, if you so chose.

Senator CONROY—You can open one any time you like.

Senator Minchin—Only with parliament's final approval.

Senator CONROY—Of course. Could it be paid from the Australian Greenhouse Office account?

Mr Bowen—We would have to take that under consideration. As you know, appropriations are for a purpose and we are fairly careful about ensuring that expenditure is for that particular purpose.

Senator CONROY—The reason I ask you is that Minister Macfarlane has indicated that there will not be an appropriation through parliament. I am just looking to find out how he is going to pay for it if he is not going to appropriate money.

Senator Minchin—I think we have just determined that AFFA is the responsible department. You can direct your questions to that department in this process.

Senator CONROY—I am just wondering about the payment mechanism when the minister in charge of it says he will not be putting anything through parliament. It is a new thing. I am just looking to understand how he is actually going to transact it when he says he will not put it through parliament.

Senator Minchin—The ethanol subsidy?

Senator CONROY—Yes. It has to come through your department.

Mr Bowen—I did not hear that.

Senator CONROY—I was just saying that Minister Macfarlane has indicated that there will be no appropriation through parliament for this particular program.

Mr Bowen—I am happy to take that and have a look at it but I really am not able to comment more here; I just do not have that detail.

Senator CONROY—Is it a pick-a-box situation to prepare all these special cases? Do you pick one that looks like it comes close?

Dr Watt—It is certainly not a pick-a-box situation. Special accounts are, as you know, used for purposes designated, not otherwise. At this stage we would not expect to be privy to considerations about possible payment mechanisms.

Senator CONROY—Given the word 'transport' is in the BSTA, could it come out of Transport?

Dr Watt—No.

Senator CONROY—It is a subsidy. It is fuel. There are cars involved.

Dr Watt—No, we do not believe it could.

Senator CONROY—Have you taken legal advice on that?

Dr Watt—I do not think we need legal advice on that. It has nothing to do with ex-DAS businesses.

Senator CONROY—The greenhouse account that I asked about before specifically includes a reference to ethanol and its purposes.

Senator Minchin—We are not going to indulge in these hypotheticals. You ask the department of agriculture, when you want to, how they propose that this subsidy be paid.

Senator CONROY—Would you be willing to open a special account for them, Minister? You have the discretion to say no.

Senator Minchin—You ask the department of agriculture how they propose that this matter be dealt with.

Senator CONROY—Were any payments relating to the entitlements of employees of National Textiles paid through a special account?

Mr Bowen—I am not aware of that.

Dr Watt—We will have to take that on notice.

Senator CONROY—If you could take that on notice. If you find that they were, could you tell us which account.

Mr Bowen—Yes.

Senator CONROY—Will any payments relating to workers' entitlements, including to former Ansett employees, be paid through a special account?

Mr Bowen—Again, to be accurate we should take that on notice. Those payments are being met through the Employment and Workplace Relations portfolio, but we can get that information for you.

Senator CONROY—The operational arrangements for the government's General Employee Entitlements Redundancy Scheme, GEERS, state that special accounts under the FMA will hold administered funds in receipt of recovered funds. Does that help?

Mr Bowen—That may be. I am happy to have a look at that and come back to you.

Senator CONROY—Will any payments be made through a special account to fund the new child-care centre in Ballarat?

Senator Minchin—Why don't you just give us, on notice, all those payments where you want to know whether they came out of a special account and we will get you the answers?

Senator CONROY—I am happy for you to take them on notice as I go through them.

Senator Minchin—If you want to waste the committee's time doing that, that is fine. You could just give us a list and we will get it back to you. If you want to waste time doing this, that is fine by us. We just repeat: you can only pay out of a special account what you are authorised to do so, and that is via either legislation or a ministerial direction which is disallowable by the Senate.

Senator CONROY—It is just that unfortunately they seem to be fairly broad in their definition—

Senator Minchin—You have the opportunity in the Senate to move disallowance any time you like on any of those accounts when they are proposed.

Senator CONROY—so broad, in fact, that your own department has actually taken legal advice about whether or not it can put them through the account.

Senator Minchin—Of course it should. This was set up so broad by you—your party set this up. Your party set this trust account up, signed off by John Button. You set it up.

Senator CONROY—Special accounts are actually yours.

Senator Minchin—Understand? You set this one up. Don't badger us! Of course we get legal advice to determine we act in accordance with the law. Don't be so stupid!

Senator CONROY—Funnily enough, I have actually got here your signature on the bottom of some special accounts. These are your babies.

Senator Minchin—You are talking about the ones set up in 1991 by your government.

Senator CONROY—I am talking about special accounts—

Senator Minchin—You were just talking about DOFA.

Senator CONROY—that have been created by your government.

Senator Minchin—That you can disallow in the Senate any time you like.

Senator CONROY—Your government has set these up. These are your responsibility, Minister: your government's, your act. They are your baby.

Senator Minchin—I said that, if you want to know what payments are made out of what accounts, give us a list and we will get back to you. But remember that the parliament has the authority to disallow them when they are proposed.

Senator CONROY—The problem is that your lot has been abusing them and you know it.

Senator Minchin—We use them according to law!

CHAIR—Minister, order! Would you perhaps ask some more questions?

Senator CONROY—I am trying to, but he keeps rabbiting on.

Senator Minchin—I am getting tired of the inferences that you are proposing.

Senator CONROY—I understand that the Department of the Prime Minister and Cabinet has two special accounts called the media commissions account and the campaign account. Is that correct?

Dr Watt—I think that would be a question for the Department of the Prime Minister and Cabinet.

Senator CONROY—I understand that the designated purpose of the media commissions account is for expenditure to transfer media commissions through the central advertising system to advertising agencies. Would you be able to explain what that means?

Dr Watt—I think again that is a question for the Department of Prime Minister and Cabinet.

Senator CONROY—I understand that the designated purpose of the campaign account is for expenditure relating to the costs associated with running the central advertising system. Any ideas on that one?

Dr Watt—I think again that is a question for the Department of the Prime Minister and Cabinet. We would be happy to talk to you about the special accounts that fall within the department of finance, if you wish, but we do not have the other details.

Senator CONROY—You are washing your hands of the rest?

Senator Minchin—Don't make that accusation, Senator Conroy! Ask those questions of PM&C.

Senator CONROY—Is the government able to transfer an appropriation from one special account to another?

Mr Bowen—Only if it does so through the parliamentary appropriation process.

Senator CONROY—How is the parliament informed of a transfer like that?

Mr Bowen—I do not see where that situation would arise.

Mr Hutson—I think that I can answer the question this way. Money is appropriated to, for example, a department which leases premises from the property management branch in the Department of Finance and Administration. Some of the money which is appropriated is used to pay rent. That rent is then paid to the property special account in accordance with the purposes of the account and some of that money is then, because of the appropriation which exists within the FMA Act, taken out of the special account to pay for other things such as building maintenance. The answer to the question in that sense of whether an appropriation has been transferred one to the other is that it is in accordance, as Mr Bowen says, with the parliamentary processes.

Senator CONROY—What are those parliamentary processes? Help me.

Mr Hutson—The appropriation is given to a department for the outcome that exists for that department and that department, as part of that, leases premises. Those premises have to pay rent, which is paid into the property special account. The parliamentary processes are twofold in that instance. The first is the decision to appropriate money to the department for the outcome, which includes renting premises, and the determination of the property special account which provides that one of the purposes for which money can be drawn is for the payment of building maintenance. That is an example of what I think you might be referring to.

Senator CONROY—I was asking a general question. I appreciate the specific example that you have described, but you have done so in a way that confines it to an individual circumstance. I am just trying to understand whether there is an extraparliamentary process involved, other than the original setting up of them, when money is transferred from one special account to another.

Mr Hutson—As you are talking about one special account to another, I can perhaps use a similar example. One of the purposes for which a special account might be created is to operate a business of some sort. In that instance, money would flow out of that again to lease premises, which may be from the property special account. So the money would then flow out of the other special account, as distinct from departmental appropriations in my previous example, and into the property special account, again in accordance with the law.

Mr Bowen—If a department had a number of special accounts, the real governing factor or the control factor is the purpose clauses of each of those accounts and the fact that moneys can be spent only for those purposes. If funds were to be transferred, they would have to be transferred purely for the approved purposes of those accounts. But I am not familiar with that practice.

Senator CONROY—There are no extra steps involved? I accept the point you are making, but it seems there is no extra information provided when these transfers take place. The basic position is that as long as it complies with this and this, yes, you can pass them backwards and forwards. As long as it passes the original test, you can pass them backwards and forwards within the output?

Mr Hutson—Senator, you are suggesting there has been some sort of transfer. The terminology is important here. There has been no transfer there; there has merely been a drawing on a special account in accordance with the purposes of that special account. In one sense the example I gave may have been a little misleading, and I apologise to the committee. The crunch is that of course the business that I describe, which could be renting premises from the property management branch of the department, could also be renting premises from a private provider, in which case the money would flow to the private provider, to the landlord in that case. There is no transfer as such. It is just drawing on the account.

Senator CONROY—So you do not believe there have been any transfers of an appropriation at all?

Mr Hutson—I am not sure if I understand the terminology, to be honest, to be able to properly answer your question.

Senator CONROY—I means moneys moved, as opposed to a payment, which is what you are talking about—which is not the question I asked, but I appreciate the information. The word ‘transfer’ is fairly simple and straightforward. You are describing a payment. You do not believe transfers are possible between these appropriations in the special accounts?

Mr Hutson—I will just confer with Mr Lawson, who is more familiar with the legal aspects of this. Senator, this is actually quite a technical area and it might be better if we provided you with an answer on notice rather than try to answer it here.

Senator CONROY—I appreciate that. It is technical, and I do not want to draw you into a position where you have potentially misled just by accident. I understand that \$1 billion was appropriated to the Federation Fund Reserve—a PM&C special account—in 1997-98 to fund projects marking the centenary of Federation. Dr Watt, I do not think you were there at the time when we had a lot of fun with that one. Does that ring a bell?

Dr Watt—It rings a bell, Senator.

Senator CONROY—I thought it might. This \$1 billion was subsequently transferred from the PM&C special account to other special accounts at other agencies. Is that correct?

Mr Bowen—We can take that on notice and get detail. We do not have that detail here.

Senator CONROY—Does that sound familiar though?

Mr Bowen—I am not familiar with it personally.

Senator CONROY—It is just that you said you would check the detail, which implied you understood that the generality was correct. It is the sort of transfer I have been talking about, Mr Hutson.

Dr Watt—We are not sure of the mechanism by which money moved out of the Federation Fund special account. That is why we are—

Senator CONROY—A lot of people have had that question.

Dr Watt—I do not mean in that sense, Senator. We are here talking about the accounting arrangements rather than anything else. We are not aware of that mechanism. My recollection—and this is no more than my recollection—is that this money was certainly expended by other agencies on Federation Fund projects. But, as I said, I am not aware of the mechanism by which the money was moved from the trust fund to the agencies, so we will have to take that on notice.

Senator CONROY—They came in with a gun?

Dr Watt—What I am saying is we do not know a technical issue and we would be much better off, as you suggested earlier, making sure we were accurate.

Senator CONROY—Sure, but DOFA received some of that money; it actually came into your own department. Mr Bowen is nodding. How did that happen? Did you have a mask and a gun?

Mr Bowen—Certainly not a mask. We would have to check that and, yes, some money did come—I do recall.

Senator CONROY—Could it be characterised perhaps as a transfer?

Mr Bowen—I do recall that, but I too do not recall the mechanism and I would like to do check that.

Senator CONROY—Are you going to come back to us a little while after lunch? I am just conscious of the time.

Mr Bowen—On that particular one, we will try to come back to you today during the hearing.

Senator CONROY—It was in your annual report.

Mr Bowen—Yes, but we just need to check.

Dr Watt—We are not in any sense saying that money was not spent on Federation Fund projects by the Department of Finance and Administration; we said we just do not know the mechanism by which the money was moved from the special account in PM&C to the Department of Finance and Administration or any other entity.

Senator CONROY—That is really the whole point of the question, isn't it? You actually do not know how you got the money to spend it.

Dr Watt—However, I have no doubt we got the money in a proper fashion.

Senator CONROY—But you can understand the committee's frustration: if you do not know how you got the money, how on earth is the parliament meant to know how you got the money?

Dr Watt—I appreciate that there is something we have to track down, and we will. We will have an answer for you shortly.

Senator CONROY—To assist, because you went away to look at not just your own but the general transfers, could you look at the other departments, if you are able to: industry,

education, environment, transport, veterans' affairs and agriculture. They have all made annual reports that they also received those funds.

Dr Watt—We can certainly endeavour to give you a speedy answer on our own; the others I am much less confident about.

Senator CONROY—You are the department of finance, and I would be hoping you actually knew how the money was flowing between departments.

Dr Watt—I am sure we have a sense. It is a question, rather—

Senator CONROY—You have a sense?

Dr Watt—I am sure we do.

Senator CONROY—You are the department of finance; each midnight—at three minutes after midnight, on your own testimony—you know where the dough is.

Dr Watt—I think what we said was that, each three minutes after midnight, we knew what the cash balance was.

Senator CONROY—But perhaps you know where it is—not just, 'Hey, we've still got this much money.' Hopefully, you are in a position to say, 'They've got that much, they've got that much and they've got that much,' rather than just, 'All the money's there, guys; thanks for coming.'

Dr Watt—I think the first thing to do is to know how much you have. That is what we reportedly do, according to your—

Senator CONROY—But, to know how much you have, you have to know where it is. You have to be able to add it up.

Dr Watt—I am sure we know that as well, but you are asking a different question.

Senator CONROY—Is it fair to describe it such that the parliament may approve an appropriation for spending for a particular agency but that this money may then be reappropriated to entirely different agencies without parliamentary approval? That seems to be what has happened.

Mr Bowen—Through the Federation Fund, for example—

Senator CONROY—Yes, through that example.

Mr Bowen—We are checking on that. I will not speculate; we will wait and see what the facts are. Clearly, there would have to be a head of authority, and that is what we will check.

Senator CONROY—What processes are already in place to determine how the money still held in agency Federation Fund accounts is to be spent? Your financial job is to check to see that they are spending it in the right places. Isn't that right?

Mr Bowen—What I will say on that is I think you need to talk to the Department of the Prime Minister and Cabinet on that. From my recollection, they had quite a detailed monitoring and follow-up process with agencies to monitor progress with expenditure on Federation Fund projects, and there were regular reports that I recall. That is how they did that.

Senator CONROY—But you do not have any idea how the money passed from A to B?

Mr Bowen—I do have an idea, but I would rather have it clarified before I speculate here.

Senator CONROY—If you are going to clarify it, hopefully it will not be speculation but will be fact.

Dr Watt—I think that is what Mr Bowen was saying.

Mr Bowen—That is what I hope, too!

Senator CONROY—That is what you hope, too. The department of finance hopes, after checking, that it will be able to tell us some facts.

Mr Bowen—We will tell you some facts, Senator. I do not think it is very productive for me to sit here and speculate. I can have ideas, but I will keep those to myself and I will get the facts.

Senator CONROY—Thank you. I would like to ask about the Natural Heritage Trust. As at 30 June 2002, this trust held \$591 million. Can you please tell me the proposed balance of the trust as at 30 June 2003?

Mr Bowen—I can get that information for you.

Senator CONROY—It is readily available to you?

Mr Bowen—It will be readily available, yes.

Senator CONROY—With regard to the money that was moved—we will say ‘moved’ as we cannot agree that it was a transfer—from the Federation Fund to Veterans’ Affairs, was the Federation Fund originally set up for environmental purposes?

Dr Watt—No, it was not.

Senator CONROY—The Natural Heritage Trust? That is an environment issue.

Dr Watt—The Natural Heritage Trust was set up for broad environmental issues. The Federation Fund was set up for a much broader purpose: it was designed to fund projects that were suitable to be held in recognition of the Centenary of Federation. The purpose was announced in the 1997-98 budget papers.

Senator CONROY—I am trying to make sure that the money got spent where it was supposed to be spent. That is the whole point. It is disappointing that, between the Senate committee and you, you are not able to guarantee at this moment that it was spent where it was appropriated. But we will get to that. I am sure we will come back and sort that out through the course of the day.

Dr Watt—Certainly in relation to our own money, we have committed to do that.

Senator CONROY—Just out of interest, what was the actual project that you spent Federation Fund reserved money on?

Mr Bowen—It was on the refurbishment and redevelopment of the 4 Treasury Place building in Melbourne.

Senator CONROY—An excellent building.

Mr Bowen—Yes, and enjoyed by our tenants.

Senator CONROY—Have you visited it, Senator Minchin?

Senator Minchin—Yes.

Senator CONROY—I am in the refurbished part of the attic.

Senator Minchin—Is that right? Remind me not to visit it in the future.

Senator CONROY—It is an excellent refurbished attic, I assure you.

Dr Watt—Probably a good deal better than the unrefurbished attic.

Senator CONROY—Having been in the unrefurbished attic many years ago, I can assure you it is an improvement on the unrefurbished attic, although it is not as nice as the front half of the building where the main offices are. When the Prime Minister set up the Natural Heritage Trust, he said it would all be spent on the environment. It seems that there is still half a billion sitting there.

Dr Watt—Could you repeat that?

Senator CONROY—The Prime Minister said that the Natural Heritage Trust was all for the environment. When was it set up?

Dr Watt—The Natural Heritage Trust? I was talking about the Federation Fund.

Senator CONROY—When was the Natural Heritage Trust set up?

Senator Minchin—After T1, I think. It was a consequence of T1, whenever that was—1997 I think.

Senator CONROY—So in 1997 money was put in?

Dr Watt—We can check that.

Senator CONROY—I think that is right.

Dr Watt—It was certainly part of the Telstra 1 sale package.

Senator CONROY—So, five years after the money was put into an account to be spent on the environment, half a billion is still sitting there unspent?

Dr Watt—No. First of all, there were further funds put into the account as a result of T2. Secondly, the timing of expenditure was never laid down. It was meant to provide funding for the environment over the medium to long term, a discussion you and I had before.

Senator CONROY—The medium to long term? I was so hoping you would not say that. Not the short term?

Dr Watt—Not the short term.

Senator Minchin—From memory, we spend something like \$250 million to \$300 million a year out of that account.

Senator CONROY—We are trying to find out all about it.

Senator Minchin—The account is set up by legislation.

Dr Watt—That one is set up by legislation, yes.

Senator CONROY—So it hangs around there—it sits there until the whim takes you to spend it?

Senator Minchin—There is expenditure of some \$250 million to \$300 million a year. There are appropriations into it, because there is some of the capital that is in there as well as recurrent budget funding.

Senator CONROY—Yes, but most appropriations are quite specific.

Senator Minchin—It is quite complex, because there is some of the capital that is in there as well as the current project funding.

Senator CONROY—Yes, but most appropriations have a specified period in which they have to be spent. This one system is a special account with no ongoing timetable—just whenever you come up with a good idea to help you get re-elected.

Senator Minchin—Identified in the forward estimates is how much will be spent out of it—and you can look in the budget papers for that—and how much has been spent out of it, but it was set up originally as a capital account. There was a capital sum put into it; that is the difference. Now there is a mix of capital and recurrent.

Senator CONROY—I am conscious that Senator Sherry has some questions on this output as well, so I might take a break and pass over to Senator Sherry. I will be returning to this when Senator Sherry has completed his questions.

Senator SHERRY—Thanks. I am not sure this is the correct place to ask about it, but I am sure you are aware that the PSS and the CSS superannuation funds had negative returns of \$248.3 million and \$301.1 million respectively, and there is a necessity to create negative reserves. How is that treated in terms of the budget? How is that shown?

Mr Hutson—In terms of pursuing some of the questions about this, I understand we have representatives here from the PSS and CSS boards as well as from ComSuper. In terms of the funds you are talking about, those are not part of the official public account; they are quite separate and they are not shown in the budget documentation. They are separately reported.

Senator SHERRY—So there is no impact in accrual terms?

Mr Hutson—On the budget?

Senator SHERRY—Yes.

Mr Hutson—No. As I said, those funds are not part of the official public account; they are not part of the budget as such.

Senator SHERRY—I have some specific questions, but they do not fall into this area. I will deal with those under CSS, PSS and ComSuper. Mr Bowen, I wrote to the department on 28 August under the Freedom of Information Act—I am sure you are aware of my request. In the letter, I asked for:

... material prepared in or for the budget group of the Department of Finance and Administration in the last 12 months on superannuation, its contributions to individuals self-funding in retirement and its linkages to health and social security.

You, as general manager, on 27 September, agreed to the request, with the exception of a document entitled ‘Sustainable retirement: an old concept, some new thoughts’. That is correct, isn’t it?

Mr Bowen—My recollection is that that was the only document.

Senator SHERRY—I was just going to get to that. You effectively refused to release the only document that fell under the description of the category of request for documents that I requested. That is correct, isn’t it?

Mr Bowen—Yes.

Senator SHERRY—The document was prepared in the context of the production of the intergenerational report.

Mr Bowen—The document was prepared as a working document within finance. I gave my reasons for not releasing that document but, in part, they were that the document was

incomplete, that it was prepared in draft form only—in other words, that it was a working document—and that it had not been endorsed within the department or by the government.

Senator SHERRY—I was going to get to those issues, because there is a little bit more that went on before I got a heavily censored copy of the document. On 2 October, I applied for a review of your decision, because initially you had refused to release the document at all. That is correct, isn't it?

Mr Bowen—That is correct.

Senator SHERRY—On 4 November, the review was completed and the document—heavily censored, I might say—was provided to me, wasn't it?

Mr Bowen—Yes, it was.

Senator SHERRY—Do you have the document there?

Mr Bowen—I have the document that you received, yes.

Senator SHERRY—Do you have the complete document there?

Mr Bowen—No, I do not.

Senator SHERRY—You do not?

Mr Bowen—No.

Senator SHERRY—I was hoping you would have it there.

Mr Bowen—No. I am sorry.

Senator SHERRY—Let us start with the document you provided.

Mr Bowen—I have this document.

Senator SHERRY—That is the one with the blacked-out cover page.

Mr Bowen—I did not provide this to you. One of my colleagues did.

Senator SHERRY—I am sure you were consulted about it, but you have the document there.

Mr Bowen—No, this was an independent review.

Senator SHERRY—The request went to you and you provided it to the review. It was not a very good start, was it? The front page is totally blacked out. The next page is blacked out and so on. I have done a count: there are 72 pages in this document; 29 pages are totally blacked out and 40 are largely blacked out. There are only three pages that are not blacked out substantially. Does that represent a fair overview of the document you are flicking through?

Mr Bowen—I accept that you can count the pages, yes.

Senator SHERRY—You would understand that I am a little disappointed at the extent of these massive blackouts and the censoring of the document. You were consulted, I assume?

Mr Bowen—No. This was a review entirely independent of my decision, and, no, I was not consulted at all on which elements should be blanked out and which should not. It was done quite independently. I took my decision on the basis that I felt I could not provide you with material that would be useful. So I decided not to release any of the document on that basis.

Senator SHERRY—But this was the only document that fell within my request.

Mr Bowen—To my knowledge, yes, that is so.

Senator SHERRY—I accept that. That is as I understand it; hence its importance. Regarding this document with all the blackouts, the heavy censoring, has the department reconsidered its opinion to release the document in full?

Mr Bowen—No. We have not been asked to reconsider, to my knowledge, and we have not reconsidered.

Senator SHERRY—The document—page 1 is wiped out; page 2 is wiped out totally—does not give any indication of the extent to which any of the policy recommendations have been taken up, does it? There is no explanation.

Mr Bowen—I assume it does not.

Senator SHERRY—No, it does not.

Mr Bowen—But there is a very good reason for that, as outlined in my original statement of reasons and, I think, subsequently in the reviewer's statement of reasons: this was and is still a draft, incomplete, working document within the department.

Senator SHERRY—What do you mean by incomplete?

Mr Bowen—Incomplete in the sense that it is a draft.

Senator SHERRY—But it is a completed document. Has it been revised since it was completed?

Mr Bowen—To my knowledge it has not been revised since it was prepared as a draft. But the document still is a draft and it is a working document for consideration internally, not a document that is prepared to a standard or that has received sufficient consideration by the department, or possibly the government, for public release.

Senator SHERRY—We will get to the public release at a later time. I am interested in where it is up to in the department. Who has this document been circulated to within the department?

Mr Coombs—The document has been circulated to only two or three individuals within the department.

Senator SHERRY—Who are they?

Mr Coombs—One would have been Phil Bowen and the other would have been the branch manager of the Long Term Budget Policy Branch at the time.

Senator SHERRY—Who was the manager of Long Term Budget Policy at the time?

Mr Coombs—That was Todd Ritchie.

Senator SHERRY—Right. And it went to Mr Bowen who is the head of the Budget Group?

Mr Coombs—That is right, and it went to me.

Mr Bowen—I might make it clear that it came to me in the context of your request. It had never come to me prior to that.

Senator SHERRY—There is a reference on page 51, which states:

Finally, we consider there is a case for the introduction of some low-level inheritance tax to meet some of the costs in retrospect of providing the elderly with age pension and health support, especially in the

final years of life. The justification exists: by 2041 some 60 per cent of health expenditure will be consumed by those over age 65. The children of older Australians might argue that this inheritance tax represents an unfair impost on their own ability to accumulate wealth.

I notice the minister had some comments to make in the media about this this morning. Does he want to add any comments?

Senator Minchin—I am happy to repeat what I said on radio this morning. This government never, ever will reintroduce a tax that John Howard, as Treasurer in a Liberal government, abolished. I think it was originally imposed by a Labor government back in the early part of this century. We are proud to have abolished death duties and we will certainly never reintroduce them. This was some private consultant floating that in some paper that he has contributed. I do not know why he bothered floating it, given that we have such a strong and firm position on that issue. I am happy to formally reject any suggestion of the reintroduction of such a tax at any time and in any place.

Senator SHERRY—You used the words ‘never, ever’?

Senator Minchin—Never, ever. As far as Liberal governments are concerned, I am happy to say that no Liberal government will ever reintroduce death duties.

Senator SHERRY—Weren’t the words ‘never, ever’ used to rule out a GST?

Senator Minchin—The government headed by Prime Minister Howard, when he was Treasurer, abolished Labor’s death duties.

Senator SHERRY—That is not what I asked.

Senator Minchin—We are not going to reintroduce death duties.

Senator SHERRY—Didn’t the Prime Minister once say the fairly infamous words ‘never, ever’ in the context of a GST?

Senator Minchin—I do not recall the specific language he used.

Senator SHERRY—You don’t? I think it is fairly strongly embedded in the Australian public’s mind—never, ever a GST.

Senator Minchin—If you want to go back to the GST—a tax which the Treasurer in your government strongly supported—you will recall that he ruled out the GST in one term but said that, if a government that he led was ever to propose it, he would seek a mandate for it. To John Howard’s enormous credit, he went to the 1998 election seeking a mandate to introduce such a tax. The people of Australia gave him that mandate.

Senator SHERRY—Nevertheless, we had the words ‘never, ever’ for a GST and now your assurance is that we will never, ever have an inheritance tax?

Senator Minchin—In the case of the GST, the Prime Minister, on behalf of the government, sought a mandate. That mandate was granted by the Australian people, and parliamentary approval for the GST was granted. In the case of some private consultant floating the possibility of Australia having an inheritance tax to pay for the cost of ageing, all I can say is that I cannot conceive of any circumstances in which a federal Liberal government would ever—ever—reintroduce death duties. We are fundamentally opposed to that form of taxation. Your party is much more likely to reintroduce a tax that it first imposed back in the early part of this century and which a Liberal government abolished. We have a strong record on this, a much better record than yours. We are the ones who abolished death duties, I remind you, Senator Sherry.

Senator SHERRY—And the ones who introduced a GST.

Senator Minchin—Having got a mandate from the people of Australia to do so and parliamentary approval to do so, as you well recall.

Senator SHERRY—I also recall the Prime Minister saying ‘never, ever a GST’ and now you are telling us ‘never, ever an inheritance tax’. In the context of this document, large slabs of which are being kept secret, why won’t you publicly release it? Why won’t you—

Senator Minchin—Why would we?

Senator SHERRY—If it is publicly released, the document will identify the status this has within the government, but you will not release it.

Senator Minchin—It has no status. This is a private consultant—

Senator SHERRY—Well, release the document.

Senator Minchin—who has given some internal advice to the department.

Senator SHERRY—How do we know that?

Senator Minchin—There might be a million people out there who think there should be an inheritance tax. This is one of them—

Senator SHERRY—I know you are sensitive about the inheritance tax—

Senator Minchin—It is an internal matter.

Senator SHERRY—Release the document. Why are you keeping this document secret? Why is it all blacked out?

Senator Minchin—We have released those parts of the document we are prepared to release. It is internal working advice to the government, and we have every right to release those parts that we seek to or choose to release. We have released part of it. You have read the bit about inheritance tax by one private consultant. I have totally rejected any suggestion that any government led by the Liberal Party will ever introduce it. End of story.

Senator SHERRY—This secret agenda, this working document—why won’t you release it so we can understand the context in which you are using this working document? The cover page is wiped out. The introduction, which would give us the context and how it is being used by the government—just page after page is blacked out. Why don’t you release it publicly so we can determine whether what you say is correct or not?

Senator Minchin—As you well know, it is the practice of all governments not to release all internal working documents. That is what your government did; that is what our government does.

Senator SHERRY—I made a request through freedom of information—

Senator Minchin—We considered your request and released those parts of the document we are prepared to release.

Senator SHERRY—I challenge you, on behalf of the government, to release this secret working document so that we can see what you are planning to do.

Senator Minchin—Anything we are planning to do we will tell you about. This is just an internal working document which has no status whatsoever. And, in accordance with past practice, we are not releasing it. Mr Bowen has given you the reasons.

Senator SHERRY—I am asking you now, so we can reassure the public about the status of your secret agenda, to release—

Senator Minchin—There is no secret agenda and this document has no status.

Senator SHERRY—Why not release the document publicly in full?

Senator Minchin—Why should we? It is an internal working document that has no status.

Senator SHERRY—So you want to cover up the status of this document—

Senator Minchin—Mr Bowen, do you want say anything?

Mr Bowen—Certainly.

Senator SHERRY—which contains a recommendation for an inheritance tax?

ACTING CHAIR—Order, Senator Sherry!

Mr Bowen—Senator Sherry—

Senator Minchin—That part of it is not secret, and I have just dismissed it.

Senator SHERRY—What else is in here? That is what—

Mr Bowen—Senator Sherry, I think it is important to recognise—

Senator SHERRY—Just before you go on, Mr Bowen—Senator Minchin, what else is in here? Page after page is blacked out. I would like to know what is contained in this document.

Senator Minchin—I am sure you would, but we are not releasing it.

Senator SHERRY—Why not?

Senator Minchin—Because it has no status; it is an internal working document and, as you know, it is the practice of all governments not to release such documents. It has no status; we are not releasing it.

Senator SHERRY—So you do not want to let the Australian public know what your agenda is?

Senator Minchin—It is not an agendaed document. How stupid can you be?

Senator SHERRY—How can we know that if you will not release the cover page, the status of the document—

Senator Minchin—Because I am telling you it is not an agendaed document; it is an internal working document with no status and which has not been accepted at any level by anybody.

Senator SHERRY—So we should take your word for it, like we took the word of the Prime Minister: never, ever a GST? Never, ever an inheritance tax? We should take your word for it because you will not release the document?

ACTING CHAIR—Order!

Senator Minchin—Don't be silly. All governments have the same policy approach as did yours for 13 years in relation to internal working documents. Don't try to impose a double standard.

Senator SHERRY—I have made a request under freedom of information to find out what your agenda is, and you are refusing to release the document.

Senator Minchin—It is not an agendaed document. When we have an agenda—

Senator SHERRY—We do not know that because we cannot tell from all the blacking out on the document—page after page of it.

ACTING CHAIR—Senator Sherry, I think Mr Bowen might be able to help you.

Mr Bowen—I will try to clarify it: this document was never commissioned by the government; it has never been anywhere near the government; it has not received any significant consideration within Finance. We could not release a document of that nature because it would be misleading, and that was my final reason, I seem to recall. I said:

The release of the draft incomplete document could not mislead the Australian community on matters affecting superannuation, its contributions to individuals self-funding in retirement and its linkages to health and social security.

It represents the views of one individual and nothing more. It does not represent the views of this department or of the government.

Senator SHERRY—How do we know that until we get the full document?

Mr Bowen—I just told you that.

Senator SHERRY—Mr Bowen, how do we know what you say is correct? You are making an assertion and a claim but we cannot test that because we do not have the context of the document because it is all blacked out.

Mr Bowen—Are you suggesting that I would not be telling the truth here? I would prefer—

Senator Minchin—Senator Sherry, you are accusing him of lying.

Senator SHERRY—No. What I want to see—

Senator Minchin—You are deliberately accusing him of misleading this committee.

Senator SHERRY—is the full document so the Australian people—

Senator Minchin—You are not going to see the full document; all right?

Senator SHERRY—Mr Bowen and Senator Minchin, I would like to see the full document so the Australian public and the parliament can make the call. Will you release the full document?

Senator Minchin—No. How many times do you need to be told?

Senator SHERRY—You are not going to release the document, so all I can conclude is that you have a secret agenda here, with a whole raft of recommendations—

Senator Minchin—No. You should accept Mr Bowen's evidence before this committee and not infer that he is deliberately misleading you. That is an outrageous inference.

Senator SHERRY—The Australian public and I want to be able to judge the status of this document by its full contents. There is not even an introduction in this document—it has all been blacked out. So, if you do not want to release this document—

Senator Minchin—That is because it is a document with no status. It was not commissioned by the government. I have never read it. The government has no knowledge of it.

Senator SHERRY—But this is in your department, Senator Minchin.

Senator Minchin—Sure, there are lots of things that go on in the department internally.

Senator SHERRY—It did not come out of thin air. You do not have consultants suddenly draw up a document out of thin air. This is in your department.

Senator Minchin—Yes, one official—was it last year?

Mr Bowen—It was not an official; it was a consultant.

Senator Minchin—A consultant provided that document, with no status whatsoever.

Senator SHERRY—We know there are consultants working in every department.

Senator Minchin—The consultant was not commissioned by the government per se to provide it.

Senator SHERRY—I challenge you to release the full document so the Australian people can make a call about the status of the document.

Senator Minchin—Mr Bowen has already—on the record, before this committee—told you the status of the document. It is outrageous for you to infer that he is deliberately misleading the committee.

Senator SHERRY—It is not outrageous.

Senator MINCHIN—It is.

Senator SHERRY—What do you expect?

ACTING CHAIR—Senator Sherry! Order! I think the minister and Mr Bowen have made it very clear to the committee that the document is not going to be released. It might be appropriate to move on to some other issues.

Senator SHERRY—Senator Minchin, what would you expect if you got a document under freedom of information and found page after page of it blacked out? We cannot even determine the status of the document. Look at it!

Senator Minchin—Mr Bowen has put on the record the status of the document. I am sure he would be happy to put that in writing, if you want it in writing, which would have much more status—

Senator SHERRY—Fine; put it in writing.

Senator Minchin—For 13 years we got documents like that from your government—with lots of black pages—so do not try to impose another standard on us.

Senator SHERRY—If it has this lowly status that you are claiming, why black it out? Why don't you release the full document so we can determine that it has the lowly status you claim it has and that the government does not have a secret agenda on an inheritance tax and goodness knows what else that has been blacked out?

Senator Minchin—It is laughable for you to try to raise that idea. It is the normal practice—

Senator SHERRY—We remember the Prime Minister's comments about 'never ever'.

Senator Minchin—It is the normal practice of governments not to release internal working documents of that kind that have no status or authority from the government. This document is no different from any other.

Senator SHERRY—Okay. If you want to cover up your secret agenda and you do not want to take the opportunity to give us the full document, fine. We will continue to pursue it.

ACTING CHAIR—Do you have any further questions, Senator Sherry?

Senator SHERRY—Mr Bowen, coming back to one point on other documents, is this the only document that you are aware of in the context of my request under freedom of information? I made my request in the context that I read to you earlier: the last six months superannuation contributions to individuals self-funding in retirement, linkages to health and social security and the Intergenerational Report. That is the basis on which I made my request. Is this the only document that the department has?

Mr Coombs—That is correct.

Mr Bowen—That is the advice that I was given. To the best of my knowledge, that is correct.

Senator SHERRY—So, in all the work done on the Intergenerational Report, this is the only document?

Mr Bowen—The work on the Intergenerational Report was, of course, primarily done by Treasury, and Finance participated in that process. But Finance did not generate particular work on the issue of retirement incomes—

Senator SHERRY—Except this? This is the only document?

Mr Bowen—Except for that, to my knowledge.

Mr Coombs—Can I clarify this point? This document was prepared prior to the Intergenerational Report and did not have any particular connection with it. The Intergenerational Report was principally about identifying a problem with the fiscal implications of population ageing. The Intergenerational Report was not about developing policy options at that time to deal with that issue. This document was not prepared for the purposes of describing the fiscal implications of population ageing; this document was prepared on superannuation matters.

Senator SHERRY—I am sorry, Mr Coombs, but it is a bit hard to tell when the document is so very heavily blacked out and censored.

Mr Coombs—You have already been advised.

Senator SHERRY—On at least some of the material left in this document—and there is not much left in there—there are references to the ageing population and its consequences, intergenerational issues. It is very obvious that is what the document relates to.

Mr Coombs—My point is that the Intergenerational Report was to state the dimensions of the fiscal implications of population ageing; the document was not there for the purposes of presenting options for addressing that issue.

Senator SHERRY—But it is very obvious to me from the sections of this report that have not been blacked out that it is highly relevant to intergenerational issues.

Mr Coombs—It has some relevance to a broad number of policies.

Senator SHERRY—Relating to an ageing population.

Mr Coombs—To all sorts of policies.

Senator SHERRY—I know there are lots of policies. I would like to see the policies that are canvassed in here, but most of the document is blacked out. That is part of the problem, isn't it, from our perspective? You are nodding. Is that a yes?

Mr Coombs—I think you have already received an answer on that matter.

Dr Watt—Senator, before you begin, we might revert to the issue of the web site address.

Senator CONROY—Yes.

Dr Watt—I think I have a simple explanation for you.

Senator SHERRY—I would love to get my document on the web site.

Mr Suur—Senator Conroy, you asked why the URL for special accounts is complicated with the use of '%5F' in the address. I am advised that this is a standard convention for Internet browsers. They translate certain keyboard characters into code. Each character—that is, a letter or a number on a keyboard—has a unique code assigned to it, and there have been problems with certain symbols, mainly spaces and other unusual symbols. To get around this, the browsers translate these unusual symbols into more usual symbols such as letters and numbers. When you type the words 'special account' into the search engine on our web site, that search references the content of the site, not the URL. So you are taken to the pages that relate to special accounts. The confusion of the address, as I said, is a function of the way in which the web browsers work.

Senator CONROY—Thank you.

Dr Watt—You do not have to type all that gobbledegook in to get the right address, Senator.

Senator CONROY—Good. I am very relieved.

Dr Watt—Senator, I think we have another answer on the components of the CRF.

Mr Hutson—Senator, you asked a question earlier in the day about the components of the CRF. I would like to take that question on notice because, again, the answer is fairly complicated. The major component of the CRF is the official public account, which is reported in the budget documentation, but there are a number of other components and it is probably useful if I give you a complete answer.

Senator CONROY—I appreciate that. I have a question about a special account that Treasury actually list in their report as a section 20 special account. They have a special account with some \$20 billion in it. Does that ring any bells?

Mr Hutson—Not at all, Senator.

Senator CONROY—The loan consolidation and investment reserve?

Dr Watt—Senator, I think that is a question you would have to direct to Treasury.

Senator CONROY—When your officers came back with an answer with \$3 billion in it, I wondered if they included that particular special account.

Dr Watt—We will check that. That account may have some particular characteristics. We will clarify that and come back to you.

Senator CONROY—I was interested in whether you are defining it as a special account. It is in their annual report as a section 20 special account. It contains an awful lot of money which—

Dr Watt—As I said, that account may have some particular characteristics, which is why I want to have it looked at.

Senator CONROY—Yes, sure. As I say, I am interested in your definition there. As I said, I wanted to move on to another issue. Under the financial framework, agencies are allocated resources based on outcomes. Can you very briefly explain what that means? I know it is a very broad question, but very simply—

Dr Watt—Mr Bowen is our expert.

Mr Bowen—Thanks. With the introduction of the accrual framework, the government introduced outcome based appropriations. Agencies are required to identify the outcomes of their particular agency, which essentially is what they intend to achieve with the appropriations that they get, and funds are appropriated on that broad basis.

Senator CONROY—Can you explain what an administered expenditure is?

Mr Bowen—There are two broad classes of expenditure; one is departmental and one is administered. Departmental expenditures are those expenditures that agencies are deemed to have control over, control being a fairly technical word in accounting language, because they make the day-to-day decisions about how those funds are spent. Administered expenditures, on the other hand, are items which agencies effectively administer on behalf of the government at large. As an example, an agency has no direct control over an entitlement program such as age pensions. The parameters for the age pension are set by government and set by legislation. The agency administering that item does just that—it does not control it—and hence the separation.

Senator CONROY—When parliament approves spending on a particular program within a particular outcome, does the money have to be spent on that specific program?

Mr Bowen—Under a particular outcome there may be a number of programs—in other words, smaller entities within the administered outcome. There is discretion with the relevant portfolio ministers as to how they flexibly use the funds within the outcome.

Senator CONROY—So it can be spent anywhere in the outcome?

Mr Bowen—Yes.

Senator CONROY—Is parliamentary approval required before spending is switched between one program and another?

Mr Bowen—No.

Senator CONROY—Is it possible that an appropriation could be made for a program but that appropriation be redirected to an entirely new program during the year without seeking parliamentary approval?

Mr Bowen—No, because funds are not appropriated at the program level. They are appropriated at the outcome level.

Senator CONROY—That is, I think, a fancy way of saying that money can be redirected to an entirely new program.

Mr Bowen—I answered your question accurately.

Senator CONROY—You certainly did. How many outcomes do agencies generally have?

Mr Bowen—It varies. Finance, for instance, has three outcomes. Some larger agencies have more; some have less.

Senator CONROY—Are you aware that the Department of Defence has only one outcome?

Mr Bowen—We are aware of that. The Department of Defence, prior to having one outcome, had a global budget for many years, where it was appropriated on a global basis.

Senator CONROY—I think it is entitled ‘To defend Australia and its national interests’.

Mr Bowen—That is correct.

Senator CONROY—Could we call that broad, Dr Watt? Would that be a broad outcome?

Dr Watt—Moderately so.

Senator CONROY—That would just imply they can move money between any programs whatsoever at any stage.

Mr Bowen—Within Defence.

Senator CONROY—Within Defence, because there is only one outcome. Therefore, every cent can be spent within the one outcome. Therefore, moneys can be moved between programs completely every day.

Mr Bowen—They have a high degree of flexibility.

Senator CONROY—Do you guys get to keep track of that money moving between programs? Do they have to notify you guys of the movement between programs—that flexibility?

Mr Bowen—We certainly keep track of recurrent, as opposed to capital, so that split is accurately tracked.

Senator CONROY—Under the old system you mentioned—the global—all expenditure was itemised.

Mr Bowen—No, it was not. In fact that was the point: Defence had a totally global budget. It was not itemised. There was not even a capital and recurrent split. Now that we do have a capital and recurrent split, Defence of course keeps more detailed records. I think we have hinted at the fact that, coming out of the review of the budget estimates and framework, we will be looking for more detailed information from agencies. That will have to be done on a case by case basis with agencies.

Senator CONROY—Just taking Defence, the way it works at the moment is that they tell you they are going to spend money on the following programs at the beginning of a year, and—

Mr Bowen—No.

Senator CONROY—They are not required to advise you or they have not been advising you if they have changed the programs at all—they can just move them around as they like?

Dr Watt—No, that is not correct.

Senator CONROY—Which part?

Dr Watt—There are quite complex processes within government for Defence to move money between different programs, and they are seriously considered by government at a number of levels. I think what we are saying is that Defence does not have to seek appropriations approval.

Mr Bowen—That is right.

Senator CONROY—They can move it around within programs. What I am asking you is—

Senator Minchin—No, they cannot. They do not have total discretion. In other words, there are various authorities required within the government—

Dr Watt—Including by cabinet.

Senator Minchin—They get one appropriation, but then the spending of that requires certain levels of approval outside Defence.

Dr Watt—Just to pick up your point about global budget, if my memory serves me correctly—and it does on this occasion—in the second half of the eighties Defence moved from a line by line item to a global budget. There is nothing new. The single outcome is nothing new in that sense.

Senator CONROY—The difference here is that they do not have to tell the parliament when they change. That is the point.

Dr Watt—I am not sure they did under a global budget either. I think they needed an appropriation.

Senator CONROY—Accepting Senator Minchin's point that they have to seek some form of approval—which is undefined, but I accept the general points—how is parliament advised that money has moved from one program to another within the Department of Defence? This is just for the purpose of picking on Defence; we will leave you guys alone for the moment because you have three. How is parliament informed of this?

Mr Bowen—It is informed through a couple of processes, I guess. At additional estimates and at budget time the department will produce their portfolio budget statements. Any change—

Senator CONROY—The PBS is done at the beginning of the process. What I am talking about are changes after PBS, so let us put aside PBS because it cannot possibly be helpful to me in trying to keep track of which program the money has been spent on.

Mr Bowen—It is a starting point. If you have not got your starting point, you do not know where you are going to end up.

Senator CONROY—That is fair.

Senator Minchin—Let Mr Bowen finish his answer.

Mr Bowen—You have your starting point with your PBS at budget time—that is essential—and it breaks it down into some detail. You then have at additional estimates another document, the portfolio additional estimates statements document, where any changes will be notified.

Senator CONROY—Any changes of program are notified in that document?

Mr Bowen—Major changes would be picked up there.

Senator CONROY—What is your definition of a major change?

Mr Bowen—That does vary from department to department—there is no doubt about that. Of course in their annual report and annual financial statements you get the final wrap-up of what has happened.

Senator CONROY—I appreciate that you continually make reference to the final wrap-up. We know they come out from that starting point to when you see an annual statement. There is a fair time period.

Mr Bowen—Yes.

Senator CONROY—What this committee is seeking to understand is the parliamentary scrutiny process between a document on day one, PBS, and the final document some 18 months later. Other than seeing two figures that may or may not be related because money has moved within programs, how is the parliament kept informed of this? I would like to go back to this additional estimates document. Have you got an additional estimates document handy, at all?

Mr Bowen—I have not got one here.

Senator CONROY—I will want to go back and examine these now at some considerable length to see—

Mr Bowen—They are public documents.

Senator CONROY—Yes, I appreciate that, but I am concerned about your concern: you seem to be concerned that there is a variation in the definition of major change in program expenditure.

Mr Bowen—Let me come back to that. The parliament, through a committee like this one, has the opportunity at additional estimates and quite often at supplementary additional estimates hearings, as we know. And then, at the budget hearing for the following year, there is of course another update of the estimates for the previous year. It is not final: as we know, it can then change again. So you have got the budget looking forward, you have got additional estimates looking back and you have got the following budget period looking back and forward. There are a number of opportunities to query this type of activity. There is formal reporting and an ability to query. On the issue of how you define a program—

Senator CONROY—No, how you define a major change to a program.

Mr Bowen—Okay.

Senator CONROY—I think you viewed it with concern.

Mr Bowen—I think it comes back to how you define a program. This does vary from department to department. But normally I would expect that a department that reported on a set of programs at budget time in its PBS would report against that same set of programs or any new programs that might have been approved in its subsequent reporting. That would be the norm, I think it is fair to say.

Senator CONROY—I would like to ask about non-lapsing appropriations next. I think we have already established that appropriations for departmental expenses do not lapse. Can you explain what that means.

Mr Bowen—You are right: departmental appropriations do not lapse, which means that any cash that is left over is retained for subsequent use by the agency. But the revenue is actually recognised at the time the appropriation is made.

Senator CONROY—Appropriations for administered expenses do lapse, though?

Mr Bowen—Most of them do, yes.

Mr Flavel—For those annual administered appropriations, they do lapse.

Mr Bowen—Special appropriations do not lapse. In relation to special appropriations with their own legislation, I go back to the age pension: it keeps rolling on; it is demand driven.

Senator CONROY—Approval may be sought to rephase administered expenditure to a subsequent financial year if expenses were not incurred against those appropriations in the current year. That is correct?

Mr Bowen—Yes.

Senator CONROY—So, in effect, many administered expenses could be nonlapsing as well, just because they are rephased? That is the effect of it rather than the language of it.

Dr Watt—In effect it is, but remembering there is a government decision making process, a ministerial decision making process, involved.

Senator CONROY—Well, a government and a departmental process.

Dr Watt—No, it is ministerial.

Mr Bowen—And there is also a legislative process, in that under the FMA Act—I am advised it is in section 8; I am sure it is—the minister for finance has the authority to agree to rephasings.

Senator CONROY—Sure. Your web site states that annual appropriations generally do not lapse at financial year end.

Mr Bowen—Yes.

Senator CONROY—Which is the effect we were talking about—even though they are meant to lapse.

Mr Flavel—I would put one caveat on that: any amounts that are rephased obviously also need to be approved by the parliament. They are formally reappropriated along with an appropriation for the following year, so there is parliamentary approval of those amounts that are rephased as well. They lapse and then they have to be formally reappropriated.

Senator CONROY—Can appropriations for the programs extending over multiple years also be rephased?

Mr Bowen—We have forward estimates over multiple years but, apart from special appropriations, we appropriate on an annual basis, whether it is administered or departmental.

Senator CONROY—I am just not sure whether that was a yes or a no.

Mr Bowen—What was the question again?

Senator CONROY—We have established that you can rephase administered expenses—

Mr Bowen—You were talking about multiples. We do not appropriate in multiple years; that is the point.

Senator CONROY—Who is required to approve a rephasing of expenditure?

Mr Bowen—The minister for finance has the authority to do that, but then, as my colleague has said, it is ultimately subject to parliament reappropriating the funds.

Senator CONROY—Okay. My understanding, again from your web site, is that you have the discretion to approve rephasing of up to 10 per cent of funding of ongoing programs and limited term programs—limited term, so it is obviously more than one—and 30 per cent of funding of capital programs. Beyond that, approval must be given by the minister.

Mr Flavel—I am not aware of that.

Senator CONROY—That is off your DOFA web site, under ‘Appropriation rephasings’. I am just reading from that.

Mr Bowen—I can assure you, Senator, no decisions to rephase programs, certainly in the last 12 months and going forward, have or will be taken at departmental level. That is a ministerial prerogative—it should be. Then it is subject to ratification by the parliament.

Senator CONROY—Let me read you the ‘Current delegation thresholds’ off the last page. The title on the last page I have had printed off is ‘Current delegation thresholds: the general framework for appropriation rephasing requests’, and then it goes into those three cases.

Mr Bowen—I do not doubt what you are saying is factual. But also what I am saying is absolutely the situation: if we have delegations in that area, we are not exercising them and we do not intend to exercise them.

Senator CONROY—You have not been there the whole time since this was introduced, though. You are confident that none has happened?

Mr Bowen—I have been there 12 months, nearly.

Senator CONROY—You are confident that none has happened? Dr Watt and you have both only been there 12 months. I am not trying to catch you out. There is no trick; I do not know if they have.

Mr Flavel—Certainly in the two years that I have been in the budget group all approvals have been made by the minister for finance.

Dr Watt—About a month ago we started a comprehensive review of documentation on our web site. We were unhappy, as I said before, with some of it. Clearly that is something else we will have to make sure we have a good look at.

Senator CONROY—But under the act, as I have just described, you have the power to do that without going to the minister?

Mr Bowen—It would be a delegation.

Senator CONROY—That is what it is called; it is called a delegation.

Mr Bowen—But it is not a delegation that has been exercised, as we have just said, in the last two years.

Senator CONROY—No, but you have the power. I am just trying to establish that you have the power to do it if you want to. In terms of these rephasings and parliamentary approval, you mentioned a number of times how it is done—we have discovered that the department can do it, the minister can do it and then you talked about parliamentary approval.

Mr Bowen—No, the department does not do it.

Senator CONROY—No, I said it can do it.

Mr Bowen—The minister can do it and does do it, but it is ultimately—

Senator CONROY—Can we get a list of everything that has been rephased?

Mr Bowen—We can certainly give you some examples; I do not know if we could give you the whole lot. The key point here is that whether the minister does it or whoever does it, at the end of the day, for the preparation of the budget, it comes to parliament and parliament must sign off in both houses because it is a reappropriation.

Senator CONROY—Is the rephrasing required to be reported in the budget papers?

Mr Flavel—It is not reported as a separate item.

Senator CONROY—How interesting. It is not?

Mr Flavel—However, some agencies in their portfolio budget statements certainly refer to amounts within administered expenses that have been rephased, as an explanation for why there might have been movements.

Senator CONROY—Sure. But there is no separate line item, we have agreed. Would you agree that that seems to indicate that there is a loss of at least transparency if not the control of the parliament over the timing? Parliament approves that it be spent in X period and then it does not get spent in X period and gets moved into another year. It is not reported separately that that has happened. Certainly in terms of transparency, parliament is sitting there thinking it spent it last financial year and all of a sudden, without any separate description that a substantial change has been made from the previous year, it is not listed. There is a very serious question of transparency if not control.

Mr Bowen—The question is: if the original appropriation is done at a particular level which is an outcome level, the reappropriation is done at that level as well. All of the funding on a program by program basis is not necessarily reported—it is not appropriated on that basis at the outset. Perhaps I am not describing this terribly well, but it seems to me that there is a consistency in the transparency of treatment—

Senator CONROY—A consistency in the lack of transparency—I think you are missing a word.

Mr Bowen—between budgets. Because you are reporting in exactly the same fashion to parliament and they approve it in exactly the same way.

Senator CONROY—How many programs of expenditure have been rephased under the new accrual accounting framework? That is obviously over a number of years and I appreciate that you will need to take that on notice. What programs of expenditure have been rephased under the new accrual accounting framework? I would appreciate it if you took that on notice. How many rephasings have been approved by the department of finance? I appreciate that you said that is zero. How many rephasings have been approved by the minister for finance? How many rephasings have been approved by cabinet if they have had to go up the line? What has been the total sum of appropriations that have been rephased under the new accrual accounting framework? What is expenditure undertaken on a ‘not requested basis’? I hope you can answer that one.

Dr Watt—The only point that we would like to make is that it is a fair amount of information you are asking for and it might take some time to generate.

Senator CONROY—I know and I appreciate that. The parliament is interested in this, given that we approved this expenditure and then suddenly found out it was not spent when we thought we had approved it to be spent. We genuinely want to get to the bottom of it. The last question was about expenditure undertaken on a ‘not requested basis’—what is that?

Dr Watt—What is the context?

Senator CONROY—Recommendation 11 in your memo.

Dr Watt—Senator, that has nothing to do with—

Senator CONROY—I am just asking. It is sitting there staring at me in this memo, and I am going, ‘What the hell is that?’

Dr Watt—That has nothing to do with expenditure. What that says is that the department would undertake a broader input based cost analysis of agencies’ overall expenditure if the cabinet or if ERC asked us to do it. That is what the ‘as requested’ means: if it was asked to do it.

Senator CONROY—It begs a lot more questions.

Dr Watt—It has nothing to do with the nature of expenditure.

Senator CONROY—Mr Bowen, you felt that the words were ‘as requested’.

Mr Bowen—You said—what did you say?

Senator CONROY—Not requested.

Mr Bowen—It is ‘as requested’, so it is on an as requested basis.

Dr Watt—As asked by the minister or the ERC.

Senator CONROY—I might come back to you again on that particular answer when I have thought about it a bit more.

Dr Watt—We would not do it automatically. We would undertake such a review if cabinet, the Expenditure Review Committee or senior ministers request the department do it.

Senator CONROY—I might reread *Hansard* and take this up with you again at another time.

Dr Watt—We would be delighted, Senator.

Senator CONROY—I am just under pressure to move on, so I will. Agencies are appropriated for both cash and non-cash expenses. Is that correct?

Mr Bowen—That is correct.

Senator CONROY—Could you briefly explain what a non-cash expense is and provide some examples?

Mr Bowen—Yes. It is easier just to give examples, I think. Agencies are appropriated for depreciation, which is non-cash, and for employee provisions and entitlements, such as superannuation, long service leave and things of that nature.

Senator CONROY—Can you explain the rationale for appropriating a non-cash expenditure?

Mr Bowen—There are a couple, but the rationale really is to reflect the total cost of departmental activity, because those are real costs even though the cash may not be required for some time downstream. It is also to provide some surety for the government and its agencies that they will have funding available to them at such time as they need it to pay these entitlements. So it is not a matter of agencies being able to spend all of that cash at the time it is appropriated, because they will need some of that cash in the future.

Senator CONROY—This would include capital use charges, asset write-downs and things like that.

Mr Bowen—The capital use charge is a different issue. Asset write-downs can happen for a number of technical reasons. Capital use charge was—or still is, but soon will not be—a

charge which was applied to reflect the cost of capital use in an agency. The government has, as part of this review, decided not to continue to apply a capital use charge. I think a number of jurisdictions in Australia have applied capital charges and have found the need to modify them and, in some cases, to do away with them. I think Victoria is certainly one of those.

Senator CONROY—Are funds appropriated for non-cash purposes required to be set aside, or can they be spent elsewhere?

Mr Bowen—No, they are required to be set aside for the purpose for which they were appropriated. Being non-cash, the purposes are basically what we have talked about, so they are required to be spent when employee liabilities emerge or mature and on capital replacement.

Senator CONROY—Have they always been set aside?

Mr Bowen—When we say set aside, they have been set aside in the accounts of agencies. It has been a responsibility of agencies to have those funds available.

Senator CONROY—A responsibility to have them available?

Mr Bowen—For the purpose for which they have been appropriated.

Senator CONROY—Are you aware of any cases where the money has been spent on anything else?

Mr Bowen—I do not have particular examples.

Senator CONROY—Are you aware of the situation in general, without being able to specify an example? Are you aware, as the Department of Finance and Administration, whether or not every agency has always set aside all the money and left it there?

Mr Bowen—I could not give you absolute assurance on that. Frankly, I do not have that detailed information to hand. But what I can say is this: under the new arrangements which have come out of this review the government has decided that it will return to a centralised management of cash, and funds will be held centrally under the control—

Senator CONROY—So you will be confident because you will be holding it from now on?

Mr Bowen—Yes. The government has decided it is appropriate for that function to come back to Finance rather than for many agencies to have their own treasury function. Agencies will have full access to those funds. This is a physical management of cash. It is not a spending control or even a draw-down control, but of course we will get full information on what those funds are being drawn down for.

Senator CONROY—Is depreciation included here?

Mr Bowen—Yes, it is.

Senator CONROY—The memo does not mention it. How much money was appropriated for depreciation in 2002-03?

Dr Watt—I do not think we have the answer to that one off the top of our heads, Senator.

Senator CONROY—I think it is \$1.8 billion, according to Budget Paper No. 1.

Mr Bowen—You could be right, but we would have to check that.

Senator CONROY—With regard to depreciation, are funds currently—as opposed to the new system—set aside so that they can be used to replace the depreciating equipment when it becomes obsolete?

Mr Bowen—Depreciation funding is available, at least in part, to assist with replacement of capital assets.

Senator CONROY—What else would it be used for?

Mr Bowen—I am not saying that it would be used for anything else. Perhaps my language was not as perfect as it could have been. It is available to fund at least part of capital replacement.

Senator CONROY—What you are saying is that it may not be the total amount necessary?

Mr Bowen—No, it may not, and you would not expect it to be in all cases because it is rare to replace like with like.

Senator CONROY—Sure. Defence would not want to buy the same plane that has just depreciated. For a start, they probably could not.

Mr Bowen—That is right.

Senator CONROY—They would want to buy a new plane—or a piece of paper that a plane is drawn on?

Mr Bowen—Yes.

Senator CONROY—Where are these funds held—in the agency bank accounts?

Mr Bowen—The physical holding of the funds, of course, is in the official public account with the Reserve Bank. But currently agencies have control of those funds. They are not held in their transactional banking accounts, contrary to some media reports.

Senator CONROY—So the money is definitely set aside in this place?

Mr Bowen—It is set aside in their accounts and they have access to it, but it is held in the public account. In fact, cash is swept to the public account every night—not at a minute past midnight.

Senator CONROY—Not at three minutes past midnight?

Mr Bowen—I am just not sure, but much earlier—at 4.51, I think.

Senator CONROY—What is the total amount set aside for depreciation?

Mr Bowen—I would have to look at that.

Senator CONROY—You will know that in the future, won't you?

Dr Watt—We know it now, Senator.

Mr Bowen—There is a provision for depreciation in the budget papers, but I do not know it off the top of my head. Perhaps somebody could get it for me. On page 12-4 of Budget Paper No. 1 for 2002-03 there is an item showing that the amount set aside for one year for depreciation and amortisation for the general government sector is \$3.9 billion.

Senator CONROY—That is an annual flow, not the stock.

Mr Bowen—That was, yes. We would have to isolate depreciation from the balance sheet.

Senator CONROY—If you could, that would be great. I would appreciate it if you would take it on notice. I am trying to move quickly, so I will not make you ponder. How much money was appropriated with a capital use charge in 2002-03? I think it was about \$6.5 billion. Are those funds held in the agency bank accounts as well?

Mr Bowen—Yes, in the same way as all these departmental funds have been held. It is in excess of \$6 billion.

Senator CONROY—Asset write-downs, bad and doubtful debts—I think they are about \$4.1 billion. Again, is that held in the agency bank accounts?

Mr Bowen—I accept what you say.

Senator CONROY—I am just trying to find out the total of what is actually in there. That is where I am going.

Mr Bowen—I need to correct something that I just said. All agencies, with the exception of Defence, have received their capital use charge appropriation up front and have paid it back at the end of the financial year with an adjustment for the adjustment in the net asset base. Defence, on the other hand, have received the money in one breath and it has been taken out in the other, so they have not had access to the funds. They have had something like \$4 million or \$5 million.

Senator CONROY—Do you not trust them?

Mr Bowen—It is steeped in history but it is irrelevant because there will be no capital use charge from 1 July.

Senator CONROY—That is recommendation 15?

Mr Bowen—Yes.

Senator CONROY—Why are you going to continue to appropriate the other non-cash expenses but not that one?

Mr Bowen—The framework was set up, as I said, to provide some surety for government that it was actually making provision for these emerging liabilities. The government considered it appropriate to retain that approach, and the finetuning there is around the physical management of the cash, not the appropriation.

Dr Watt—It would be difficult to think you were in an accrual framework if you were not appropriating for depreciation, for example.

Senator CONROY—That is a fair answer. To go back, I was asking about the total amount of funds set aside for depreciation—that is, is it the whole stock? Also, I was after that for the asset write-downs.

Mr Bowen—We will take that on notice.

Senator CONROY—At the moment they are held in the agency bank accounts, which you are consolidating.

Mr Bowen—That is true, yes.

Senator CONROY—Will funds for depreciation be quarantined in order to fund the replacement of the depreciating equipment when it becomes obsolete? Will that be policy?

Mr Bowen—When agencies draw down the funds, they will have to tell us what they are drawing them for. So we will know exactly whether they are drawing them for capital replacement or for other purposes.

Senator CONROY—But we have established that they can rephrase, reprioritise and move moneys around.

Mr Bowen—The rephasings tend to be on the administered side. We are talking departmental. Those appropriations do not lapse. Money is appropriated for the running costs plus the depreciation, it is a known amount, and we will be able to track it.

Senator CONROY—Do you do spot checks to make sure that the money is still sitting in that account? Have you been doing them?

Mr Bowen—There have been some, but we will have much better information with which to be able to do that in future.

Senator CONROY—So you have been confident for, say, the last 12 to 18 months that all the money was where it should have been?

Mr Bowen—I think I said at the outset that I cannot give you an absolute assurance on things of that nature, but centralising the cash will help us.

Senator CONROY—I would like to discuss agency banking, which is one of our favourite topics. It is my last one, you will be happy to know! Under the arrangements for transactional banking for agencies, which came into effect in 1999, responsibility for payments and receipts was transferred from DOFA to individual agencies. Under the accruals based accounting system, as discussed previously, annual appropriations do not generally lapse at financial year end. This means the agencies can accumulate substantial cash balances. That is correct?

Mr Bowen—Yes.

Senator CONROY—The agency cash management incentive scheme enables agencies to earn interest on their accumulated cash balances.

Mr Bowen—Yes.

Senator CONROY—Can you briefly explain how the cash management incentive scheme works?

Mr Bowen—Perhaps at the outset I should say that, again, the government has decided not to continue this—

Senator CONROY—This successful program?

Mr Bowen—program.

Senator CONROY—DOFA were a big fan of it; they defended it before this very committee on many occasions.

Senator SHERRY—Sorry, it was Dr Boxall.

Senator CONROY—Dr Boxall, thank you.

Mr Bowen—I am giving you the facts. The government has decided not to continue it.

Senator CONROY—There will be a lot of disappointed banks down there in Martin Place.

Mr Bowen—No, it will not have any effect on the banks. Can I explain—

Senator CONROY—They never made any money out of it in the first place?

Mr Bowen—Can I explain why? The banks do not make money from holding the Commonwealth's cash.

Senator CONROY—Not any more.

Mr Bowen—No, they do not, and it was never intended that they should. They make money from managing the transactions on behalf of agencies, and they will continue to do that because agencies will continue to pay their own accounts and they will have working but capital balances that they can draw from.

Dr Watt—It is also worthwhile reminding the committee that the agency banking incentive scheme in 2002-03 has been operated on a completely revenue neutral basis.

Senator CONROY—I understand the contract lapsed and you got a decent deal this time.

Dr Watt—This is with agencies.

Senator CONROY—The agencies got a decent deal.

Dr Watt—The agencies will be refunding any interest they earn on the scheme from cash balances.

Senator CONROY—I was just going to come to that. Do agencies earn interest on unspent appropriations held in special accounts?

Mr Bowen—It depends on the nature of the special account; some do and some do not.

Senator CONROY—Where are the total unspent appropriations recorded in the budget papers? I think the answer is that they are not.

Mr Bowen—No. As you know—

Senator CONROY—Could you point to a page?

Mr Bowen—What I was going to say was that there is a final budget position that you can compare with the budget position, but we do not separately report on each individual appropriation.

Senator CONROY—I understand that, as at 30 June 2002, the Department of Defence held \$835 million in cash, of which \$800 million was in interest bearing deposits of three to 12 months. Can you explain why Defence is reported in the annual report as suffering from personnel, equipment and ammunition shortages when it is sitting on deposits of \$800 million?

Dr Watt—I think that is one you would have to ask the Department of Defence.

Senator CONROY—Don't you think it is a bit odd?

Dr Watt—I think it is something you would have to ask the Department of Defence.

Senator CONROY—Minister?

Senator Minchin—I suggest you ask the Department of Defence when you come to—

Senator CONROY—They are crying poor when they have \$800 million on the short-term money market. You cannot help? You are not looking into it? You are not interested?

Senator Minchin—What, in how much they keep in cash?

Senator CONROY—They are crying poor in their annual report and they have \$800 million on the short-term money market. Come on, you are the finance minister. Show some teeth!

Senator SHERRY—He will be after them now that you have made him aware of this.

Senator Minchin—There is obviously a need for Defence, which is a big-spending department, to have a reasonable cash-on-hand position. Whether it needs to be \$800 million is a good question. You could ask them.

Senator SHERRY—You will be asking them, I am sure.

Senator CONROY—Where are agency investments recorded in the budget papers?

Mr Bowen—It will be in the general government balance sheet, and it will be in a couple of different places, as usual. But on page 12-5 of Budget Paper No. 1, under the AAS balance sheet, there is an item 'Financial assets' and it lists cash, receivables and investments—and investments include the investments of agencies.

Senator CONROY—I now move on to a separate issue. The DOFA annual report for 2002-03, on page 135 at note 1.10, 'Foreign currency', states that the department 'hedges its exposure to foreign currency, wherever possible'.

Mr Bowen—Which annual report was that?

Senator CONROY—It is 2002-03.

Dr Watt—We have not done that one yet.

Senator CONROY—I am sorry. It would be the previous one then; my apologies.

Dr Watt—That is 2001-02.

Senator CONROY—This is on page 135. Are you engaging in hedging when the minister for finance issues a press statement?

Dr Watt—No, we are not engaging in hedging when the minister for finance issues a press statement.

Senator CONROY—You are no longer permitted to hedge, except under special circumstances?

Dr Watt—I think that comment is accurate; we would hedge, wherever possible. But it is not possible to hedge, and so we are not hedging. Had we been given approval to hedge, we would hedge; but we have not been given such permission, and so we do not.

Senator CONROY—So you want to hedge but he will not let you?

Dr Watt—No. There are arrangements under the government's foreign exchange hedging mechanisms to allow agencies to apply to the Minister for Finance and Administration for approval to hedge, where appropriate.

Senator CONROY—You lost \$2 million in 2001-02—a currency loss—but that is not from hedging?

Dr Watt—I would have to check the sources. We are just checking that.

Senator CONROY—What is the value of outstanding forward foreign exchange contracts or any other hedging instrument?

Mr Bowen—In Finance?

Senator CONROY—Yes; page 145.

Dr Watt—In LL01 there is a net foreign exchange loss of \$2 million.

Mr Staun—That relates to foreign exchange that we had at that time. We had borrowings, which we had nominated in US dollars, which we closed out.

Dr Watt—These would have been associated with the time that Finance was responsible for the government's foreign asset real estate portfolio—overseas property portfolio.

Senator SHERRY—Just to clarify a point: is the payment or possible nonpayment of superannuation obligations to contractors and consultants relevant to the budget area? That is the only issue I am after.

Dr Watt—No, it is not. I think our Business Services Group can handle that one for you.

Proceedings suspended from 1.03 p.m. to 2.06 p.m.

Senator SHERRY—I have had some complaints about incorrect superannuation statements. Is ComSuper aware of any incorrect superannuation statements that have been issued?

Mr Dent—We provide pensioners with a payment summary at the end of each financial year. That payment summary includes details of their tax entitlements. We corrected a number of statements this financial year. Yes, with regard to pensioners I am aware of that.

Senator SHERRY—With regard to pensions, how many statements have you had to correct?

Mr Dent—There are a number of questions that you provided to us on notice. I am not sure where those questions are at now, but that was one of the questions that we did address. I am not sure whether they have progressed out of the agencies as yet.

Senator SHERRY—How is the issue of the incorrect tax that retired public servants have had to pay being addressed?

Mr Dent—Part of the question would need a response from the tax office, I would think, with regard to tax liability.

Senator SHERRY—We have them before us on Friday. But, as I understand it, some people have had their tax returns reassessed as a result of the errors.

Mr Dent—That is quite possible, yes.

Senator SHERRY—In relation to the receipt of superannuation contributions from government departments paid for on behalf of employees, does ComSuper have any role in assessing whether correct payments and information have been provided by departments?

Mr Dent—This is with regard to the accuracy of the deduction?

Senator SHERRY—The accuracy of the information provided, including deductions.

Mr Dent—That is probably best as a joint responsibility between agencies and ComSuper. Agencies have the primary responsibility for determining the superannuation salaries of the individuals and deducting the percentage which the contributor has asked to be deducted. ComSuper has a general quality assurance role with regard to the money that it receives. If it is aware that there are obvious inconsistencies, then we would follow that up with agencies.

Senator SHERRY—But effectively you are dependent on the information provided by agencies?

Mr Dent—That is correct. The agencies originate the advice to us.

Senator SHERRY—Are you aware of the National Audit Office audit report No. 65, ‘Management of Commonwealth superannuation benefits to members’ by ComSuper?

Mr Dent—Yes.

Senator SHERRY—You are. Are you aware of the criticisms of various government departments contained in that?

Mr Dent—Yes.

Senator SHERRY—Have you been involved in any discussions with those departments that were named, quite scathingly in some cases, where quite significant errors were made? Have you been involved in any discussions with those departments named?

Mr Kruttschnitt—My understanding is that officers of ComSuper have been communicating on a regular basis with a number of agencies, including those mentioned in the audit report.

Senator SHERRY—What has happened? Have the significant errors that were made been corrected?

Mr Kruttschnitt—My understanding is that that is the case.

Senator SHERRY—You might take this on notice. Can you give me details of the corrections that have had to be made? For example, the report criticised four agencies—Customs, Defence, Foreign Affairs and Trade, and Veterans’ Affairs—for high rates of failure to report new members and/or changes in members’ contribution rates to ComSuper. There is a litany of other errors to varying degrees. Are you able to provide on notice a list of the way in which each of the various matters is being dealt with?

Mr Kruttschnitt—Yes.

Mr Dent—Yes.

Senator SHERRY—Just going back to my earlier questions—and you are right, I did put a number of them on notice—can you not provide me today with the information I sought?

Mr Dent—The responses are being reviewed. In broad terms there were about 1,700 corrections made.

Senator SHERRY—So that is 1,700 people who potentially have had revised tax returns as a result of the errors made?

Mr Dent—Yes. There were some up and some down. They were not all unfavourable to the individuals.

Senator SHERRY—Have you any idea how many were unfavourable?

Mr Dent—I do not have that immediately to hand but most of the amounts were relatively small. I have just been given some information.

Senator SHERRY—When you are retired, a relatively small amount can be in the eye of the beholder.

Mr Dent—Yes, that is correct, depending on the absolute amount of pension you are receiving.

Senator SHERRY—I put these questions on notice to give you a bit of time, hoping to have the answers today. I was doing it in order to be cooperative.

Mr Dent—I am not trying to be uncooperative. I do not think it has been finalised. That is all I can give you in broad terms.

Senator SHERRY—It was the detail I was after and you have not got it, so we will have to leave it. That is all I have for ComSuper. I have some questions for PSS and CSS. We might be able to deal with them together because it will be easier doing it that way.

[2.14 p.m.]

CSS Board and PSS Board

Senator SHERRY—Mr Gibbs, the PSS and the CSS respectively had negative returns this year, necessitating the creation of a negative reserve of \$248.3 million in the case of the PSS and \$301.1 million in the case of the CSS.

Mr Gibbs—That is correct.

Senator SHERRY—The negative reserves were created in order to declare a zero return on members' accounts, as I understand it.

Mr Gibbs—A zero crediting rate—that is right.

Senator SHERRY—How will these two very substantial negative reserves be paid over future years?

Mr Gibbs—The board has taken a decision that it will continue to declare a zero exit rate—an exit rate is declared every month for people who are leaving during the course of the year—and a zero crediting rate, which occurs at the end of financial years, until the reserve returns to a range of within plus one to minus one per cent of the value of the fund.

Senator SHERRY—So, given the PSS had a negative return of minus 5.6 and the CSS had a negative return of minus 5.1, unless those funds earn plus 5.6 or better and plus 5.1 or better in the next year there will be another zero return?

Mr Gibbs—In round terms, those numbers are correct.

Senator SHERRY—Looking at the annual reports of both the CSS board and the PSS board, I see there was an amount of money spent on investment managers and asset consultants. In the case of the PSS the amount spent on investment managers increased from just on \$5 million in 2001 to \$5.852 million in 2002, so there was an increase of around \$900,000 spent on investment managers. Can you explain that, particularly in light of the fact that the outcome was so poor?

Mr Gibbs—The explanation for any variation would be to do with the terminating of some managers and the hiring of new managers, so it would depend on the contracts entered into with those individual managers. Some managers charge a higher fee for managing money, depending on the style of investment manager they are. For example, an active equity manager will charge a higher fee than an index or passive manager. Certainly there have been some changes to the manager configuration within the two funds, so it would be a result of changing managers. The only other way the amount can vary is if the money under management increases, because usually it is a basis point fee depending on how much money the managers manage. If the fund is growing—which it has not been doing in recent times—that can explain a change as well.

Senator SHERRY—But the fund did not grow, so I am a bit puzzled about this. Did you literally sack managers for poor performance?

Mr Gibbs—We review managers constantly, and there would be a number of changes happening at any point in time. We do not do it every week or every month but there would be changes. I can take the detail on notice and get you a breakdown of the reason; but that is the reason I suspect.

Senator SHERRY—Okay. When you have terminated managers—and obviously poor performance would be a major factor in a termination—have there been any cases when you have had to pay penalty provisions in the contracts because you have had to terminate them for poor investment performance?

Mr Gibbs—No.

Senator SHERRY—Can you give me a list of the investment managers and the quantum of money that they had under investment?

Mr Gibbs—Yes.

Senator SHERRY—You have a fairly good working knowledge of the funds management and returns at the present time?

Mr Gibbs—Yes.

Senator SHERRY—I know you have some experience in this area. Can you tell me whether there is any funds manager at the moment of any substantial size that is returning a positive return of 15 per cent or better?

Mr Gibbs—As an absolute return?

Senator SHERRY—Yes.

Mr Gibbs—No. I am sorry, some of our private equity managers may well be returning such positive returns, so I should qualify my answer and say that, yes, there would be some in the private equity or venture capital buy-out area. The amount of money that they would manage on the funds' behalf, however, is quite small in relative terms.

Senator SHERRY—And more speculative?

Mr Gibbs—I would not say speculative. They invest in non-listed mainly Australian, although we have some in the US, private equity. So these managers are investing in non-listed companies. They tend to be at a higher risk individually, but not speculative.

Senator SHERRY—Please take it on notice, if you can provide the committee with some information. Obviously you are constantly scouting the fund management and return areas about where these spectacular returns—as I would call them in the current environment—can be obtained.

Mr Gibbs—I can provide you with some information of where a manager is returning better than 15 per cent in the current environment.

Senator SHERRY—I think you know why I want the answer.

Mr Gibbs—I do not think I do, Senator.

Senator SHERRY—Don't you? You were not at the ASFA conference last week?

Mr Gibbs—I was at the ASFA conference last week.

Senator SHERRY—I thought you might have been aware of it because the issue was raised there. I have a couple of other points. I notice the board administration costs for the PSS increased from \$837,000 in the year 2001 to \$1.233 million. That is about a 50 per cent increase in one year. What is the reason for that?

Mr Gibbs—The major reason for that is that the board has been progressively establishing its own executive unit separate from ComSuper, and part of that has been the establishment of separate offices in Canberra and Sydney and also the employment of a small internal investment team to provide direct advice to the boards. Largely, those costs have been more than offset by reductions in costs we are paying asset consultants.

Senator SHERRY—That is the investment advisers listed separately?

Mr Gibbs—Yes.

Senator SHERRY—So that explains the \$400,000 drop in their costs?

Mr Gibbs—Yes.

Senator SHERRY—So you are moving to internal investment advisers?

Mr Gibbs—Yes, internal investment advisers. We do not manage money internally but, yes, internal investment advisers. We still have external advisers. There is a combination, but the work that the external advisers are doing is reduced as we have built the internal team.

Senator SHERRY—At the bottom of page 92 of the PSS annual report there is a footnote to section on the superannuation contributions surcharge—incorrectly titled; it is actually a tax and the act says that—which says:

The surcharge liability in respect of surcharge superannuation contributions from the period 1 July 2001 to 3 June 2002 has not been disclosed because the assessments have not, as yet, been issued by the ATO and there is no reliable basis on which an assessment of the likely surcharge liability can be made.

Why is that?

Mr Gibbs—ComSuper administers the surcharge on the board's behalf. I am simply unable to answer that question. I can take that on notice and have ComSuper provide the answer. I just simply do not know the answer to that.

Senator SHERRY—Would ComSuper would know the answer?

Mr Gibbs—Presumably.

Senator SHERRY—Are they still here?

Mr Gibbs—I am not sure.

Senator SHERRY—Mr Bator is still here. What is the explanation; why can't you get a surcharge liability after all these years?

Mr Bator—We do not know what the taxable income of the taxpayer is or what their adjusted taxable income will be after the addition of the surchargeable amounts. That is a tax office matter.

Senator SHERRY—That is where you worked. This issue has been raised on previous occasions in the tax office, hasn't it? This is an administrative difficulty of the surcharge, isn't it?

Mr Bator—It is just a timing issue, really. When the funds report to the tax office, the tax office would issue the assessments when the people lodge their income tax returns and when

we are able to formulate the adjusted taxable income. Then, in due time—which would generally be February or May—the tax office would issue to ComSuper copies of the assessments that were issued. In this particular case, it would appear that it is not possible for ComSuper to have included that information for the PSS/CSS boards this year.

Senator SHERRY—Finally, Mr Gibbs, looking at the investment profile in brief, in the appendices I noticed that, in 2001, the percentage of moneys invested in international shares developed was 37.4 per cent. As at 30 June 2002, it had dropped only slightly—which, I must say, surprised me—to 36.2 per cent. It is only a very small drop in international shares developed, and it still remains the major part of the investment portfolio. What is the reason for that?

Mr Gibbs—As at 30 June 2002, it was not a major part of the portfolio. The strategy has since been changed.

Senator SHERRY—Where is the fund now in percentage terms, approximately?

Mr Gibbs—In terms of international?

Senator SHERRY—Yes.

Mr Gibbs—We no longer have a separate allocation to developed and emerging, so you have to add the two together. It is now at a total of 25 per cent.

Senator SHERRY—So the total was 41; it is now down to 25 per cent.

Mr Gibbs—Yes.

Senator SHERRY—Where has that difference gone to?

Mr Gibbs—It depends. Are we talking about the PSS?

Senator SHERRY—Yes.

Mr Gibbs—Okay, because there is a slight difference between PSS and CSS but, in terms of the PSS, it has gone to a slightly increased allocation to Australian bonds and a substantial allocation to international bonds. There was no allocation to international bonds previously. There was a high yield debt, which is mainly US high yield debt, but there is now a substantial allocation to international bonds. It has gone, basically, to Australian bonds and to international bonds.

Senator SHERRY—That does raise an interesting, much broader policy issue, but can you tell me whether the cost of purchasing international bonds is higher than the cost of purchasing Australian bonds?

Mr Gibbs—Again, Senator, I will have to take that on notice. We will get our investments and provide that answer to you.

Senator SHERRY—Thanks. I have no more questions, Chair. The only other area I had a couple of questions in was business services of the Department of Finance and Administration on superannuation matters.

CHAIR—In outcome 2?

Senator SHERRY—Yes.

[2.28 p.m.]

Department of Finance and Administration

CHAIR—I think we have finished with superannuation, so we will move on to outcome 2 of the Department of Finance and Administration.

Senator SHERRY—On the payment of superannuation for contractors and consultants, just to give you some very brief background, the department of primary industry, specifically AQIS, got caught out badly not paying their superannuation guarantee contributions to almost 500 persons and it involved a massive back-pay exercise. The issue revolved around the definition of an employee for the purposes of the super guarantee, which is different from the definition of an employee for the purposes of the tax acts. Many of the contractors and consultants that they were employing were in fact covered for the purposes of the superannuation guarantee. What is the situation in the Department of Finance and Administration with contractors and consultants?

Mr Hutson—Sorry, Senator—

Dr Watt—That is different; we thought you were asking a generic question on this issue. We will get the right people.

Senator SHERRY—That is why I raised it before lunch, because that is the issue I wanted to go to.

Dr Watt—I appreciate that.

Senator SHERRY—Is it correct that the department provides Commonwealth agencies with information through their web site, a help line and an annual circular to assist departments to understand their obligations under the superannuation act?

Ms Wilson—The department provides that assistance in relation to the Superannuation (Productivity Benefit) Act, which is the means by which Commonwealth employers provide super guarantee cover for employees not in the CSS or the PSS.

Senator SHERRY—That is good. Can you recall when that first started?

Ms Wilson—The productivity benefit act?

Senator SHERRY—No, the advice that the finance department has been giving.

Ms Wilson—The act was passed in 1988 and, to the best of my knowledge, the department has always provided that advice, but I am not 100 per cent certain.

Senator SHERRY—That is good; I do not criticise you for doing that. I am just puzzled as to why the department of primary industry—particularly the quarantine service—could not understand the advice you posted. Because they got it so terribly wrong.

Ms Wilson—I cannot answer that. You would have to ask them what their problem was. We only became aware of it moderately recently, I suppose.

Senator SHERRY—But you are aware of the problem that exists in the quarantine service at least?

Ms Wilson—Yes, that is correct.

Senator SHERRY—Are you aware of any other problems in any other departments in the payment of superannuation for contractors and consultants?

Ms Wilson—Not specifically. After the AQIS issue arose, we sent out our most recent annual circular. It reminded employers that this was an issue but, to the best of my knowledge, we have not had any other employers approaching us with major problems.

Senator SHERRY—Thank you, Ms Wilson. Dr Watt, is the officer available now?

Dr Watt—Yes, Mr Staun is here.

Senator SHERRY—Mr Staun, were you watching earlier on the screen in the waiting room?

Mr Staun—I understand the question is about whether we pay superannuation for contractors and consultants.

Senator SHERRY—Yes. Do you?

Mr Staun—The answer is no. We have a standard contract with contractors and we pay them on those hourly rates; it is up to them to make their own arrangements regarding the superannuation payment to the guarantee levy.

Senator SHERRY—Have you sought legal advice about the validity of those contracts and whether or not they conform with the Superannuation (Productivity Benefit) Act?

Mr Staun—I have not personally sought legal advice. My understanding is that they do comply fully.

Senator SHERRY—That is what the quarantine service thought and they got caught out badly. Have you rechecked this issue since the problem arose with the quarantine service?

Mr Staun—No, I have not, but I have no problem in going down that track and making sure that is the case. But I am personally confident.

Senator SHERRY—Approximately how many contractors and consultants did the department employ in, say, the last financial year?

Mr Staun—A substantial number—

Senator SHERRY—Approximately how many?

Mr Staun—For contractors or individuals, at various times it could be a couple of hundred. The number of consultants is probably in a similar range—different consulting firms, different projects.

Dr Watt—Can I point out that they are flows, not spots.

Senator SHERRY—Yes, I understand. I would ask you to double-check whether or not any of those consultants and contractors are entitled to superannuation payments for the purposes of the Superannuation (Productivity Benefit) Act.

Mr Staun—Certainly. That is good advice; I will do that.

Senator SHERRY—Have you checked about payment under the Superannuation Guarantee Act?

Mr Staun—I am not sure what you are referring to.

Senator SHERRY—The Superannuation Guarantee Act now requires the nine per cent that covers the entire Australian work force, bar the exemption for people earning less than \$450 a month.

Mr Staun—Yes, Senator.

Senator SHERRY—Have you checked to see whether that act covers contractors and consultants?

Mr Staun—No. As I said, my understanding is that our arrangements in saying that the contractors themselves sort out their own superannuation payments sufficiently covers the department.

Senator SHERRY—Have there been any occasions over the last financial year when government departments have sought advice on this issue?

Ms Wilson—I really do not know. I will have to ask the people back at the office.

Senator SHERRY—Will you take it on notice and provide us with an answer?

Ms Wilson—Yes.

Senator SHERRY—Since the problems in AQIS, has the Department of Finance and Administration, through the bulletin of issues, reinforced the message to government departments?

Ms Wilson—We did, in our annual circular this year. We have a plan to send out another reminder six months after that, so that will be fairly shortly.

Senator SHERRY—Could you provide me with a copy of that?

Ms Wilson—Yes.

Senator SHERRY—I have no more questions, Chair.

CHAIR—Thanks, Senator Sherry. Are there any further questions on outcome 2?

Senator LUNDY—Chair, can I seek clarification? I have some questions for the assets management section, which I think is under outcome 2.

CHAIR—Sorry, Senator Lundy. I did not mean to cut you off.

Senator LUNDY—My questions relate to a recent ANAO report that was tabled in the Senate. It is a performance audit of the health group tender bid. Amongst other things, it relates primarily to the Department of Finance and Administration's role with respect to that tender—primarily OASITO, which I know is no longer in existence. There are also several follow-up issues, including activities within the department itself, that are documented through this audit report, that I would like to ask questions about. First and foremost, I would like to establish whether you are in a position to answer questions in relation to the conduct and activities of OASITO through the period of 1998-99 and 2000.

Dr Watt—The department has acquired OASITO's Commonwealth function as a result of the AAO changes in November last year. We are as well placed as anyone to answer your questions.

Senator LUNDY—So this is as good as it gets?

Dr Watt—A problem we have in the department is that most of the people who were in OASITO are no longer with the department, certainly at senior levels.

Senator LUNDY—Can I establish up front that the key officer involved at the time of this performance audit was Mike Hutchinson, the former CEO of OASITO? Can you provide the committee with details about when he left that position?

Dr Watt—I am not able to do that. The officer who will be able to is currently being sought. I am sorry that they are not here.

Senator LUNDY—I can come back to this. I am also curious as to when other key officers in this issue, Mr Ross Smith and Mr Alan Galbraith, left OASITO.

Dr Watt—Mr Smith left late in 2001 or at the beginning of 2002, following the abolition of OASITO. He was the CEO at that stage and he left the APS at that time. I do not know when Mr Hutchinson left.

Senator LUNDY—Are you familiar with the content of the Audit Office report?

Dr Watt—I have read it.

Senator LUNDY—Perhaps I could start at the top, then. The key finding of the Audit Office report was that the Audit Office were not able to provide an assurance that no tenderer unfairly gained an advantage. That is obviously a very serious finding. The Audit Office pointed to three key occurrences, including a disclosure event. In terms of this finding and how it reflects on the department of finance, the Audit Office made it very clear that they were unable to substantiate in documented form several courses of action around this disclosure event. Can you detail the response by the department of finance to the audit report findings at this point in time?

Dr Watt—Perhaps I might start with a general comment. You said the Audit Office was unable to substantiate that there had been any advantage conferred to any of the tenderers in any respect. I think there is another side to that. The Audit Office certainly did not substantiate that there had been any advantage conferred on any tenderer as a result of the tender process. It seems the Audit Office has set itself a very difficult test of proving a negative. I think that is very hard to do. It is a very high bar—let us put it that way.

Senator LUNDY—Your answer implies that you are actually challenging the methodology of the Audit Office.

Dr Watt—What I am saying is that the way the Audit Office set up the test was this: they said they could not clarify 100 per cent that, as a result of the tender process, there had been no advantage conferred on the tenderer. I think the point is that that is a very high bar.

Senator ROBERT RAY—Let us go back to the start. One tenderer gets knowledge of all the people's bids—is that right?

Dr Watt—That is right.

Senator ROBERT RAY—And that tenderer alters its bid. How can you then prove that it used that information? You can only do it in a negative, can't you?

Dr Watt—In a sense, I think the thing that you have to do is look at the whole arrangement. We have, for example, had statutory declarations from that same bidder that the information was not used in that respect. This was an ongoing process whereby the bids were, I think, changed over time. Am I right, David?

Mr Yarra—Yes.

Dr Watt—And you would expect people to change their bids, regardless of any information. That was the whole part of the bidding process. That is why, as I said, I think it is a very high bar the Audit Office has set us.

Senator ROBERT RAY—Yes, but I am just making the point that it is very hard to prove. All you are doing is taking the company's assurances. It is very hard to prove that they did. Naturally, they would express it in the opposite, but there is no evidence that they did not use it.

Dr Watt—As I said, I think it is a very high bar. I think it is more than just a company's assurances: individuals signed statutory declarations. That seems to me to be a fairly serious thing to do.

Senator ROBERT RAY—What?

Dr Watt—To sign a stat dec.

Senator ROBERT RAY—That they did not take it into account?

Dr Watt—That is right. I would assume that was not done lightly.

Senator ROBERT RAY—Just before Senator Lundy completes, you are new to this area but you have a long history in the Public Service. Surely, Dr Watt, you would have recommended a cancellation of this tender process in these circumstances?

Dr Watt—That is a hypothetical question.

Senator ROBERT RAY—It might be hypothetical but it is—

Senator Minchin—That is an unfair question, Senator Ray. He was not there at the time.

Senator ROBERT RAY—I ask you, Minister: if you had been in charge, or if you are ever in charge, and you knew that all the tender information had gone to one of the rivals, wouldn't it have occurred to you to re-open the tender process?

Senator Minchin—You would obviously have to contemplate that, but you would not necessarily reach that conclusion. You would have to take account of the circumstances in the individual case.

Senator ROBERT RAY—You do not agree with Mr Fahey, who told the Audit Office: I could not see that a tender process with integrity could continue.

Senator Minchin—I am not saying that I agree or disagree; I am just saying that I am not going to categorically say what I would do in any particular circumstance. I would have to be in the circumstance to know what the issues were. You do not automatically cancel a tender process. You may reach that conclusion.

Senator LUNDY—In evidence provided to this committee at the time by Mr Ross Smith—during Senate estimates in early 2000—it was made very clear that OASITO had in fact embarked upon a probity audit process. This was found not to be the case by the Audit Office. They specifically found that there had been no appropriately constructed probity report into the incident, and that contributed, obviously, to their serious findings. Further to that, the department of finance, having been asked for a copy of that probity report, set about investigating internally within the department the probity issues and preparing a probity evaluation and report. Can you tell me the date upon which the department of finance began to prepare its own probity report into the matter?

Mr Yarra—We will have to take that one on notice. That was a request made from within the department of finance by the former secretary to the department. We were aware of it. Now that we are in the department we will find out a date, but it was around that time.

Senator LUNDY—So you acknowledge that there was no probity report in existence at the time when Mr Ross Smith advised the committee that there was?

Mr Yarra—I cannot confirm or deny his evidence. I will have to go back and look at the record. What we said in February 2000 was, I think, that we got specific step by step advice from our probity adviser. We followed that step by step advice. He attended the meetings. He

did not provide a report which said: 'I have sat in on these and I now confirm that you did follow those steps.' That is the report—

Senator LUNDY—The Audit Office found that the probity auditor was overseas at the time.

Mr Yarra—Correct, but the probity auditor—

Senator LUNDY—How do you reconcile that with the fact that, in evidence in February 2000, this committee was advised that the probity officer was present at meetings?

Mr Yarra—That probity adviser from Stephen G. Marks and Co. was available to give us that advice to take action in those days following the inadvertent release of information. I am aware that—

Senator LUNDY—That did not answer my question: was he present at those meetings?

Mr Yarra—I am being corrected. I will correct the record.

Senator LUNDY—Thank you!

Mr Yarra—Stephen Marks was there. He did give us the advice. He was not in Australia at the time we had the late tender.

Senator LUNDY—Which is what we were advised in the February 2000 estimates hearing—that he was present at those meetings.

Mr Yarra—At the meetings following the inadvertent release of information?

Senator LUNDY—That is my understanding.

Mr Yarra—I will check that again, but I do not think we have anything to say different from what we said in February 2000 when we responded with a detailed explanation of what we did. I will go back to that and confirm that.

Senator ROBERT RAY—While you are going back, let us just check this. The probity adviser did not give you advice in writing: is that correct?

Mr Yarra—He gave us step by step advice and in writing.

Senator ROBERT RAY—And in writing?

Mr Yarra—To tell us what we should do.

Senator ROBERT RAY—I see.

Mr Yarra—Step by step.

Senator ROBERT RAY—Was that made available to the Audit Office?

Mr Yarra—I assume it is on the record and they saw it.

Senator ROBERT RAY—No, I am not interested in assumptions. I am asking: was it made available to the Audit Office?

Mr Yarra—It is on our file and they saw all the files. I have to assume they saw it. We will check that.

Senator LUNDY—I am certainly aware of the letter but that did not constitute a formal probity report as per the Audit Office guidelines.

Mr Yarra—No, that was advice prior to the event—correct.

Senator LUNDY—That is right.

Mr Yarra—He was our probity adviser, so prior to the event we sought his advice. He said: ‘You must follow the following steps.’ We took those instructions and we followed those steps.

Senator LUNDY—There was no probity audit produced following the events?

Mr Yarra—As I understand it, there was no report from Stephen Marks which then said: ‘Having given my advice to you—’

Senator LUNDY—That is what the Audit Office found: that there was no probity report provided following the disclosure event. And there should have been, in accordance with your own procedures, had your own procedures been up to scratch.

Mr Yarra—Yes. So we followed the probity adviser’s advice. He provided a sign-off overall on the process, at the end of the process. He did not provide a specific report at that time which said: ‘I have been involved in all the meetings following the inadvertent release and I now confirm that you followed my advice.’ We just followed his advice, as we follow the advice of lawyers et cetera.

Senator FAULKNER—Let me ask the question in this way, which I hope will cut to chase: did the probity auditor provide written advice about the disclosure event or did he not?

Mr Yarra—He provided us with advice on how to handle and manage it and the steps to take in relation to the disclosure event.

Senator FAULKNER—He provided written advice?

Mr Yarra—Correct. There were a number of steps in that advice and we followed those steps, in our view, to the letter. The Audit Office have seen that advice, and I am sure they have seen that. It is an important document, and I am sure it is on our file.

Senator ROBERT RAY—I take you to page 24 of the audit report. We could be talking at cross-purposes.

Mr Yarra—Yes.

Senator ROBERT RAY—Point 43 states:

Based upon the available documentation, all requests by OASITO for advice from both the Legal Adviser and the Probity Auditor regarding the disclosure event were oral.

Mr Yarra—Correct. We asked our probity adviser for advice orally.

Senator ROBERT RAY—So you did not put any of that in writing?

Mr Yarra—The request was not put in writing, as I understand it.

Senator ROBERT RAY—Is that usual?

Mr Yarra—But he responded in writing. His advice to us was put in writing. Our request for advice to him was oral.

Senator ROBERT RAY—I am wondering, Minister, why it was oral. The Auditor-General says that it is normal practice to put these things in writing and to give written instructions. In fact, he says that under point 43.

Senator Minchin—That you put the request in writing?

Senator ROBERT RAY—Yes. He also goes on to say that if you ring up, which is even more common, you usually make a file note. There are no file notes here, are there?

Mr Yarra—I am not sure. But, in relation to point 43, we made an oral request for advice. The advice was given in writing. We have advisers, as you know, on deck for legal, business and process advice. Oral requests for advice are very common.

Senator ROBERT RAY—I understand that in the Public Service conversations occur, but I also know that most departments have a penchant for making file notes and writing things down. In this case it is not just a request; there are conversations about the nature of all of this, none of which are recorded anywhere.

Mr Yarra—I acknowledge that. As I understand it, the product of that discussion has come back in writing. I assume the note probably even said ‘subject to our discussion’ or ‘following our discussion’. I do not know how it was referenced at the beginning of that advice; it is too long ago. But it is highly likely that Stephen Marks would have said, ‘I reference our discussion. Here is my advice on the steps you should take.’

Senator ROBERT RAY—Is there any impediment to tabling the document of the advice that you got?

Mr Yarra—I shouldn’t think so. It might well have been tabled already.

Senator ROBERT RAY—It may have.

Dr Watt—We are happy to look at that.

Senator FAULKNER—The Auditor-General’s report, in paragraph 44 of his performance audit, states:

There is no written advice from the Probity Auditor (who was overseas at the time), nor from his representatives, regarding the probity aspects of accepting the late offer from IBM GSA following the disclosure event; either before or after the decision to accept it had been made.

That is wrong, is it?

Mr Yarra—I will tell you the facts and you can match them against the words. The facts are that we received written advice from the probity adviser on the inadvertent release of information. I remember reading it—

Senator LUNDY—But not on the late lodgment?

Mr Yarra—Correct. The tender opening was managed by the representative that was in attendance from Stephen G. Marks and Co. as Stephen Marks was overseas.

Senator FAULKNER—My question is: do you accept that there was no written advice from the probity auditor or from his representatives regarding the probity aspects of accepting the late offer from IBM GSA, following the disclosure event, either before or after the decision to accept it had been made—which was the premise on which I based my previous question to you? Do you accept that or not?

Mr Yarra—I do.

Senator FAULKNER—You said to me before that the probity auditor had not provided written advice. Do you want to reconsider the answer you gave to me?

Mr Yarra—No, I do not. That comment is about this issue of a thing called a probity report, which, in my language, has always been that after the event the probity adviser would sum up what happened and provide some advice. They provided advice prior to us taking steps. I have always read the criticisms of this process as being that we did not then get the probity adviser to comment back to us on how well we had followed his advice.

Senator FAULKNER—Maybe I am struggling here. I thought I asked a fairly direct question and received an assurance from you. I have now asked you another direct question about this, in quoting what the Auditor General says, and I get what appears to me at face value to be a very different answer. I am sorry; I do not understand.

Mr Yarra—All right, I will track it through again. We received written advice after the inadvertent release, in response to the inadvertent release, in order to advise us on how to handle and manage the inadvertent release. We did not receive advice subsequent to that which then commented on how well we had handled the inadvertent release. We did not receive any written advice before or after in relation to the late tender, because the late tender itself—that acceptance of bids process and the opening of bids process—was managed and overseen by the probity adviser himself.

Senator FAULKNER—Do you or do you not accept the statement that I have read—the first statement of paragraph 44 in the Auditor General’s report—as a statement of fact, or do you take issue with it?

Mr Yarra—I take issue with one bit: we received written advice from the probity adviser.

Senator LUNDY—Not in relation to the late lodgment, you didn’t.

Mr Yarra—Correct. So I will now confirm for the record: we received written advice on one bit and not on the other bit.

Senator ROBERT RAY—You said—it was not that you took umbrage—you did not entirely agree with it. The department was sent a draft report. Did you comment on this item in the draft report before the final report came out? That is the normal process, isn’t it, to prevent errors and all that? Did you actually object at that stage?

Mr Yarra—I think we commented at length and in great detail. Whether or not our comments missed that reference—

Senator ROBERT RAY—It is possible, yes.

Mr Yarra—They could well have done.

Senator ROBERT RAY—You do not know though, basically, either way.

Mr Yarra—I do not know.

Dr Watt—We would have to check the record. We do provide very extensive comments on a number of occasions. I am aware of the more recent ones and they were extensive.

Senator ROBERT RAY—I just think your position is far more defensible if you objected. They sometimes just override your objection anyway and put it in, but you have got a much more defensible position if you made that point in the draft report.

Mr Yarra—I would say that I am very, very confident that what I have said today is actually what the file record shows is fact.

Dr Watt—But we are happy to follow that through.

Senator LUNDY—I will go back to this point about the probity auditor. Was he or was he not overseas at the time of the disclosure event?

Mr Yarra—For the disclosure event, he was here. For the late tender, his representative was here and he was overseas.

Senator LUNDY—He was overseas?

Mr Yarra—Correct. But his fully authorised representative was here to stand in his stead.

Senator LUNDY—With respect to the advice provided by Blake Dawson Waldron regarding the disclosure event, is it true that the advice they provided was couched in terms that prevented them from recommending that the tender cease? This was a finding of the Audit Office report, as I am sure you are aware. Who, within the department of finance, advised Blake Dawson Waldron that part of their brief was not to be able to advise that the tender process cease?

Mr Yarra—I was not privy to all of the discussions, because they certainly involved—

Senator LUNDY—Was it an officer of OASITO—

Mr Yarra—Yes.

Senator LUNDY—or was it someone from the minister's office?

Mr Yarra—Let me relate to you my understanding, because I was actually there but not part of the process. There is no doubt that in meeting with Blake Dawson Waldron in order to address this issue and to work out how and if to take the tender process forward, it was very definitely an issue for us as to whether or not the tender process could survive this. There is no doubt that we would have expressed a preference for that tender process to continue if possible, but if Blake Dawson Waldron came to the view that the process could not proceed then there is no way that we could proceed with the process. So we did not instruct them.

Senator LUNDY—But that is what they told the Audit Office: that they were advised that requiring a cessation of the tender was not permitted. It was not part of their brief. They were told to provide advice on the basis that the tender proceeded.

Mr Yarra—I dispute that.

Senator LUNDY—So you are saying that Blake Dawson Waldron lied to the Audit Office?

Mr Yarra—I dispute their interpretation.

Senator LUNDY—I think that is just astounding. I suspect that that is an issue that needs to be dealt with internally with OASITO. Do you know whether or not that advice to Blake Dawson Waldron could have come from the minister's office?

Mr Yarra—I do not know, but I would be highly surprised if it did.

Senator ROBERT RAY—Was this at the time that Mr Brogden was on the payroll, or not? Do we know?

Mr Yarra—On whose payroll?

Senator ROBERT RAY—Blake Dawson Waldron

Senator Minchin—Do you mean these latest revelations about his—

Senator ROBERT RAY—I thought that was the law firm in Sydney that he was working for.

Senator Minchin—Wasn't it KPMG?

Senator ROBERT RAY—No, he worked for two. I just thought that you could assist.

Senator FAULKNER—You can assure us that he was not involved.

Senator Minchin—I have no knowledge of any involvement on his part.

Senator FAULKNER—We will pass that on.

Senator LUNDY—In the lead-up to the disclosure event, and post the disclosure event, prior to the lodgment of the late IBM GSA bid, the Audit Office found that there had been significant movement in the price, and IBM GSA were unable to show that that did not occur after the disclosure event. There were also some additional out-of-scope industry development elements of that contract which were included and which had not previously been submitted. Can you advise the committee specifically what those additional out-of-scope industry development components of the contract were?

Dr Watt—While we are getting the information, perhaps I can give you the departure dates for Mr Hutchinson and Mr Smith. Mike Hutchinson left OASITO on 4 December 1999. Ross Smith departed on 7 January 2002.

Senator FAULKNER—And Mr Galbraith?

Dr Watt—I am sorry, I did not realise Mr Galbraith was an issue.

Senator LUNDY—I did ask earlier.

Dr Watt—I am sorry, Senator; I missed that.

Senator ROBERT RAY—It is his evidence that we are looking at.

Mr Yarra—I could give a reasonably accurate month for his departure: it was in the month of April 2000.

Senator FAULKNER—Do we know on what basis these three gentlemen left the department?

Mr Yarra—I certainly was not privy to any of that, in terms of their employment. I worked for them; nobody filled me in on what the basis for their departure was.

Senator FAULKNER—Were they terminated, made redundant or what?

Mr Hutson—I could find out a little bit more, if you would like.

Senator FAULKNER—I am interested to know on what basis they left. Did you punt them or what?

Dr Watt—I think the case of Mr Smith was pretty clear-cut. He had been the head of an executive agency which did not exist any longer.

Senator FAULKNER—All of them actually left before the audit report came down, didn't they?

Mr Yarra—This audit report?

Senator FAULKNER—Yes.

Mr Yarra—Yes.

Senator ROBERT RAY—During the relevant period when all of this was under consideration, do you know how many members—and this is where the inadvertent disclosure, as you called it, of sending out full tender details to one of the rivals occurred—of OASITO got performance pay for this effort? We will not individualise—because we do not do that—but how many people in OASITO that year got performance pay?

Mr Yarra—We would have to take that question on notice.

Senator FAULKNER—Dr Watt, is it fair to say—and this is mentioned in Audit Report No. 14 of 2002-03—that, in relation to this \$350 million contract, the successful bidder, which was IBM GSA, had access to the detailed bids of the other two tenderers? Is that right? Because that is what I read from the audit report.

Mr Yarra—No.

Senator FAULKNER—I am not asking you; I am asking Dr Watt, who has read the report.

Dr Watt—I will just take one small piece of advice. What IBM GSA had access to was the pricing at a point in time from the other tenderers; they did not have access to all the details of the tender. Those tender details, I am told, run to hundreds if not thousands of pages.

Senator FAULKNER—Is it not true that we have an audit report here that says that, in relation to a very substantial contract—a \$350 million contract—in health group IT outsourcing, you have the successful bidder having access to the detailed bids of the other two tenderers, it has substantially reduced its own bid after it had this access, it lodged its revised bid after the stipulated deadline for the closure of bids, and it was awarded the tender without the relevant tender oversight committees being informed of these irregularities. My concern is: is this total incompetence or is it corruption?

Dr Watt—I would like to try to answer your first question. What IBM GSA had access to was the pricing details, nothing more than that, as I understand it—not the full details of the other people's bids. I am sure you are aware that these bids are much more than just pricing. Secondly, it was expected in the final week of bids, as I understand it, that all bidders would change their prices—that was part of the bidding process—and all bidders did. IBM GSA was not alone in changing its prices; others did as well.

Senator ROBERT RAY—Would it not have been fairer to send out to the two other bidders the same disk, so they could all start from scratch? If you jump the threshold hurdle and you cannot cancel the process—and I have some understanding of why that is difficult when momentum is under way—why not just send the disk out to the other two?

Dr Watt—That is a hypothetical question, Senator; I cannot answer it, I am afraid.

Senator LUNDY—Even up the playing field.

Senator Minchin—How are we meant to respond to that?

Senator ROBERT RAY—It is a bit hard, Minister, to ask questions when the thing is abolished and every public servant has disappeared—not necessarily for any conspiratorial reason. You might ask why we are raising it now. It is because the audit report has just come down.

Senator Minchin—If you are putting it to us that the Auditor suggests that that would have been a better way, we can respond. Does the Auditor-General say that they should have sent the disk out to the others?

Senator FAULKNER—You are a minister of a government that has attracted a fair number of scathing Auditor-General's reports. This report is a particularly scathing report. I would hope that Dr Watt is able to tell us what the Department of Finance and Administration is doing about it, and I hope you, Senator Minchin, will be able to tell us what the government is doing about it. This is a very valuable report. It does reveal that there was a terrible mistake made by the then OASITO and, in the old language of conspiracies and stuff-ups, it clearly

was a stuff-up. The then OASITO did its utmost in accordance with probity advice to remedy the situation. There is no longer an OASITO. These matters are outsourced and it is imperative that every department ensures it understands the lessons to be learnt from this episode, based very much on this audit report, so that in any future tender processes those mistakes are never repeated.

Senator ROBERT RAY—There would have been a press release announcing this tender, wouldn't there? Of course, you and I do not remember it because so many things pass over our desks.

Senator Minchin—I was with a different department.

Senator ROBERT RAY—I wonder whether, with the transparency of government, there was any mention in the press release when this contract was awarded of some of the problems that were associated with it. Just for transparency's sake. Was there? You cannot answer that; maybe your advisers can.

Senator Minchin—I will repeat the question: at the time this tender was finally announced, was there any statement in the press release acknowledging that there had been a problem—a disclosure event—but nevertheless the government was proceeding?

Mr Yarra—The press release I could not comment on, but the *Hansard* record has a blow by blow—

Senator LUNDY—The *Hansard* was in February 2000; the contract was announced and awarded, I understand, in September and signed in December.

Mr Yarra—We will have to check the press release.

Senator LUNDY—I suspect I know the answer.

Dr Watt—If I may pick up an earlier question about our processes; the minister answered from the government's point of view and you were asking also from the department's point of view.

Senator FAULKNER—Yes.

Dr Watt—OASITO did not wait for the final Auditor-General's report. Coming out of this experience, as I understand it, we fundamentally redesigned our whole asset sales process on the back of this to make sure that this sort of thing could not be repeated. While we have not had an Auditor-General's report on an asset sale published since then, the Auditor-General is currently looking at the sale of Sydney airport as part of his ongoing performance appraisal. As I understand the initial material we have had from the Auditor-General, there are no obvious problems. I think the organisation, even though it is no longer in being, did go through a very learning exercise—quite necessarily—coming out of this.

Senator FAULKNER—Are you able to say, Dr Watt, whether any of the former officers whose names have been mentioned here by senators at the table—Mr Hutchinson, Mr Smith and Mr Galbraith—have any current contractual arrangements with the Commonwealth?

Dr Watt—I am certainly able to say that they have no current contractual arrangement with the department of finance.

Senator FAULKNER—That goes to the companies and consultancies that they are principals of—I can be assured of that?

Dr Watt—I am not aware of the names of their companies or consultancies—

Senator FAULKNER—But surely in the thoroughness that you have assured us of over so many estimates hearings, you would be able to satisfy me about this.

Mr Yarra—I am thinking of Mike Hutchinson. His company is Elvet Associates. I am not aware that it is working for any Commonwealth agency or for Finance in particular. I do not know of the company that Ross Smith may have formed.

Senator FAULKNER—Isn't that PALM Management Consultants?

Mr Yarra—He may have an association with them, I do not know. I have not spoken to him so I do not know what his—

Senator FAULKNER—I have not spoken to him either.

Mr Yarra—I am not aware of Ross Smith showing up and doing work but he may, if he has a relationship with PALM, through PALM. As for Alan Galbraith, I do not know of anything; I haven't seen him.

Dr Watt—What I can say is that, to the best of my knowledge—I believe that my knowledge is reasonable on this matter—certainly neither Ross Smith nor Mike Hutchinson are employed by the department of finance.

Senator FAULKNER—I accept that but I am not talking about that; I am talking about other contractual or consultancy arrangements that may exist. Are you able to satisfy me about that? I am not suggesting for one minute that you still employ them.

Dr Watt—I meant in those terms, Senator—nor am I aware that we employ their companies, but again I am certainly happy to take that on notice and have it checked.

Senator FAULKNER—I appreciate that. Even with this total fiasco, you still have some oversight role in relation to outsourcing tender processes, haven't you—or have you lost that broader responsibility?

Dr Watt—No, I think the IT outsourcing is now done at an agency level.

Senator FAULKNER—You have no oversight role left? Has it been ripped off you completely?

Dr Watt—It is the responsibility of the CEO of each agency.

Senator FAULKNER—Who then, in a whole of government sense, Senator Minchin, is able to assure the committee that the people who were involved in this fiasco are not, on an individual department or agency basis, involved in other tender processes?

Senator Minchin—It is an inquiry that we have undertaken to take—

Senator FAULKNER—No, it is not, with respect, Senator Minchin.

Senator Minchin—We said—

Senator FAULKNER—No, listen. Dr Watt said, which I appreciate, that he would seek further information in relation to his own department. I am asking about a whole of government approach because, after all, the responsibility after this debacle has been ripped off your department.

Senator Minchin—We implemented the Humphry inquiry findings in relation to future outsourcing.

Senator FAULKNER—But how am I going to be satisfied on a whole of government basis? It is a serious question.

Senator Minchin—Do you want us to ask every department whether they have any arrangements with any of these individuals? Is that what you are asking?

Senator FAULKNER—If something goes horribly wrong in your department, don't you think there is some responsibility to ensure that it does not occur in other departments, given that the Department of Finance and Administration—the previous departmental secretary, Dr Boxall, assured us—had a leadership role in this regard?

Senator Minchin—Obviously, we have to make sure that there are systems and procedures in place to eliminate, if possible, the chance of anything like this ever recurring. I am not aware of a black ban on any part of the Commonwealth having anything to do with the three individuals you have named at any future time. I am not aware of such a black ban. If you want to ask every department whether they have anything to do with any of those three individuals, feel free to do so. We are just answering on behalf of Finance.

Senator FAULKNER—I know I am. I am asking you whether—

Senator Minchin—We have answered on behalf of Finance. I am not aware of a black ban. If you want to ask any other departments, feel free to do so.

Senator FAULKNER—Have you been able to pass on to other departments the lessons you have learnt from this fiasco in your department?

Senator Minchin—I assume that occurred at the time.

Senator FAULKNER—You assume that. But did it occur?

Senator Minchin—I was not the minister at the time.

Senator FAULKNER—Fair enough.

Senator Minchin—I did say that, obviously, the findings of this report are very important for every department to understand.

Senator FAULKNER—You assume it occurred, but I suppose I am just—

Senator Minchin—You are asking me what occurred in 2000, when I was the industry minister. I do not know.

Senator FAULKNER—You assume it occurred, but I am such a recalcitrant that I assume it did not occur. So Dr Watt can you tell?

Dr Watt—I am sorry, Senator, I missed the question. I apologise. Could you repeat it for me? I missed the question.

Senator FAULKNER—Take it on notice. Have a look at the *Hansard*.

Senator ROBERT RAY—What is your reaction to the key findings on page 31? Dr Watt said, yes, he is already addressing these issues in advance of the auditor's report but, if there is one recurring theme that comes out of estimates, it is surely finding 65. It says:

ANAO's capacity to examine the management of the probity aspects of the Health Group tender was limited by deficiencies in the contemporaneous records made. In a number of areas, the recollection of individuals was the only means of establishing important elements of the sequence of events.

We had this when Mr Podger was in Health. This has come up time and time again—the lack of record keeping. I guess we do not want bureaucrats—and, by the way, when I use the word 'bureaucrat' it is with praise and not anything else—to be constantly writing notes, but surely it is a worry that you have to rely on people's memories, given that it is almost an iron law of

the Public Service now that the moment you get your job you start looking for the next one, so there is all this turnover.

Dr Watt—The issue you raise is an important one. I find that, even in the 16 to 17 years that I have been in the APS, the amount of direct record keeping by officers on activities has dropped quite significantly. Someone mentioned the note for file earlier on. When I rejoined the APS in 1985, the note for file was a very common experience; I would venture now it is a very uncommon experience.

Senator ROBERT RAY—Is that a good or a bad thing? I am asking from your point of view and not generally, because I would not ask you that question.

Dr Watt—I think it is very hard to say. I think we expect a lot more out of public servants in terms of delivering and in terms of what they do, and that has meant that one of the things that has slipped is our attention to detailed record keeping. We all know that many of those records would subsequently prove to be of little or no need. I remember many notes for file that I wrote myself, in the mid-1980s, when there was little or no need. In any even, perhaps 99 per cent were. But there are times when they do prove critical and we do not have access to them. Good or bad is hard to say; a fact of life I suppose would be what I would say.

Senator ROBERT RAY—I find it distressing that a recently-appointed head of department giving evidence said during the evidence ‘I can’t recall’ 53 times and ‘I can’t remember’ 10 times. This is the Anastasia of the Public Service.

Dr Watt—I do not think it is fair for me to comment on that.

Senator ROBERT RAY—Okay.

Senator FAULKNER—Can you comment on any follow-up your department is proposing to ensure that this contract actually produces the savings the government has claimed it will produce?

Dr Watt—The savings and the securing of them will always be a matter for individual agencies rather than be through the department of finance, as I understand the issue. Mr Yarra might be able to comment further.

Mr Yarra—The contract has been struck. The services are being delivered. The contract specifies in great detail the pricing arrangements, the fees et cetera. The savings implicit in that contract at the time it was signed will either increase or decrease depending on the amount of usage of service, because there are often unit rates. You buy more units or fewer units and the saving is embedded in the unit rate. The agency is the contract manager.

Senator FAULKNER—So there will be no DOFA follow-up?

Mr Yarra—There will be an agency follow-up.

Senator FAULKNER—Let me say it again: there will be no DOFA follow-up?

Mr Yarra—That is correct.

Senator FAULKNER—So you are off the leash for that one. Is it true that Palm was involved in delivering a training course for the PS&MPC?

Dr Watt—I would be unable to comment. I would not expect to know in the normal course of events.

Senator FAULKNER—This was a training course called ‘effective governance’. I just wondered whether Mr Smith was involved in that.

Dr Watt—I am not aware of the course, PALM's involvement or Mr Smith's involvement.

Senator FAULKNER—You have not heard of that one?

Dr Watt—I am simply unaware. I am not sure I would expect to be aware.

Senator FAULKNER—We will follow it up with them at some stage. I would have thought you certainly would have something to contribute there.

Mr Yarra—Can I answer one of the questions asked previously that we took on notice relating to performance pay. I am just reading from the OASITO annual report 2000-01, which has the details of performance pay at page 36, and confirm that performance pay was paid to a number of officers. That is what it records. It gives the amounts and stratifies it by level.

Senator FAULKNER—Did anyone in OASITO miss out on performance pay after their big effort here?

Mr Yarra—I will have to take that on notice.

Senator ROBERT RAY—I thought the report might say how many. Again, we are not trying to individualise here.

Mr Yarra—It does say how many.

Senator ROBERT RAY—In some cases some agencies give everyone a performance surprise and at other times it varies up.

Mr Yarra—The table does say that the number of employees who received performance pay totalled 53. I do not know how many people were in the office. I cannot immediately work out how many staff. I cannot find it immediately. But that is the detail around page 36 of that annual report.

Senator ROBERT RAY—Thank you.

Dr Watt—Can I pick up the issue of Mr Smith and Mr Hutchinson and their retirement. I have some more details that you might be interested in. Mr Smith retired under section 37 of the new act, which effectively means the agency head made an offer to Mr Smith and the commissioner subsequently agreed about a retirement redundancy. Mr Hutchinson retired under section 76A of the old act, which, as I understand it, operates pretty much the same way, except that Mr Smith had been the head of an executive agency that was abolished.

[3.27 p.m.]

CHAIR—There being no further questions on outcome 2, the committee will commence its examination of outcome 3, output 3.1—Ministerial and parliamentary services. I welcome Special Minister of State Senator Abetz.

Senator ROBERT RAY—Can I start with my traditional question: what is the ministerial staffing allocation now and has it changed since we last addressed the issue?

Mr Edge—The number of government personal staff as at November 2002 is 319.1.

Senator ROBERT RAY—I want to know where the 70 went, in that case.

Mr Edge—The figure is 371.6. There are six additional positions to what there were in May 2002.

Senator ROBERT RAY—Can you tell us where those six additional positions have been allocated?

Mr Edge—Yes.

Senator ROBERT RAY—If there is crossover, two taken off ought to be more complex, but do your best.

Mr Edge—I can tell you where the changes are by level or by office.

Senator ROBERT RAY—Never make that offer, because I now want to know both.

Mr Edge—There are two additional senior adviser positions: one in the Prime Minister's office and one in the cabinet policy unit.

Senator ROBERT RAY—The one in the cabinet policy unit is not just filling a vacancy; this is an additional position, is it?

Mr Edge—That is my understanding, yes.

Senator ROBERT RAY—For a long while they had one unfilled, but okay. So there is one in the PM's office and one in the cabinet policy unit.

Mr Edge—There is an additional media adviser position in the Prime Minister's office and in Mr Macfarlane's office.

Senator ROBERT RAY—That is a media adviser for the PM—

Mr Edge—And an additional position in Mr Macfarlane's office.

Senator ROBERT RAY—For what level?

Mr Edge—A media adviser. There is an additional adviser position in Senator Coonan's office and in Senator Patterson's office. There are three additional assistant adviser positions: one in Senator Abetz's office, one in Senator Kemp's office and one in Ms Fran Bailey's office.

Senator ROBERT RAY—That is nine, of course. Three have obviously—

Mr Edge—There are minuses as well. I am just going through the pluses at the moment.

Senator ROBERT RAY—Is that the end of the pluses?

Mr Edge—No. There is an additional executive assistant/office manager in Senator Patterson's office.

Senator FAULKNER—Can you run that one by us again?

Mr Edge—The position classification is executive assistant/office manager. There is a single additional position in Senator Patterson's office.

Senator ROBERT RAY—That is 10.

Mr Edge—There is a secretary admin position in the cabinet policy unit, and there is an additional personal secretary position in Mr Macfarlane's office. There is one more addition: an additional consultant position in the Prime Minister's office.

Senator ROBERT RAY—Full time?

Mr Edge—My understanding is that it is a term engagement. I would just like to check that. It is a full-time position.

Senator ROBERT RAY—But they are all limited time; consultants work full time. Any more?

Mr Edge—No. That is all the pluses.

Senator ROBERT RAY—So let me just check this: the Prime Minister has an extra consultant, an extra senior adviser and an extra media adviser, plus of course the two in the cabinet policy unit. He signs them off as staff, doesn't he—no-one else? That is still the practice?

Mr Edge—That is my understanding.

Senator ROBERT RAY—That is an extra five for the Prime Minister.

Senator Abetz—Before you do that, it might be worth while to go through the minuses. There are two minuses in the Prime Minister's office.

Senator ROBERT RAY—Sure. That would be helpful.

Mr Edge—In terms of minuses, there is one less media adviser position in Mr Mal Brough's office. There are two less adviser positions in the Prime Minister's office. There is one less adviser position in Senator Abetz's office. There is one less adviser position in Mr Ruddock's office. There is one less secretary admin position in Senator Patterson's office and one less personal secretary position in Mr Brough's office.

Senator ROBERT RAY—Let us take the case of Senator Abetz. He in fact has shed one adviser and picked up an assistant adviser, thereby saving the taxpayer some money. Is that right?

Mr Edge—There is an additional point I need to make about the statistics that were provided—

Senator ROBERT RAY—I was just asking you that question first, then you can make your additional point.

Mr Edge—It is related to the numbers, that is all.

Senator ROBERT RAY—Okay.

Mr Edge—The information that was provided in May 2002 incorrectly identified a couple of positions. It indicated that there was one more senior adviser position in Senator Minchin's office than was actually the case, and one less adviser in Mr Williams's office than was actually the case. So, in terms of overall numbers, the two counter each other.

Senator ROBERT RAY—Why was that mistake made—do we know?

Mr Edge—I am not certain; I would have to check that.

Senator ROBERT RAY—Well, I am more concerned about a mistake being made and not knowing who is responsible. I very much appreciate you correcting the evidence; that is very commendable. But we do pay performance pay for people, and this is just a constant concern of mine that when mistakes are made no-one is ever found accountable. Do we know where the mistake was made? Maybe Ms Mason or Dr Watt might know.

Ms Mason—The list is compiled within my group and it is compiled within the account management branch of the group, so the error would have been made within that branch. As to the person responsible, I do not know who that would be, nor would it necessarily be appropriate to name individuals—

Senator ROBERT RAY—No; you were not asked that question, so be aware of that.

Senator FAULKNER—Could I ask when the mistake was discovered, Ms Mason, which interests me more than who made it. Given that it is corrected, appropriately, by Mr Edge

today, I am interested in whether it should have been corrected a lot earlier. When was the mistake discovered, that the evidence given at the previous round of estimates was wrong?

Mr Edge—I would need to take that on notice. I became aware of it quite recently. I would need to take on notice as to when it was actually discovered. It was a mistake that we are correcting here today—

Senator FAULKNER—I appreciate that.

Mr Edge—For the purposes of establishing the overall staffing numbers, it did not actually have an effect on the numbers because the two positions neutralised each other.

Senator ROBERT RAY—Yes, but you may be new to some of these areas—Dr Watts certainly is not—and there is a requirement that as soon as a mistake is found it is corrected. I just commend you to have a look at PM&C's record in this regard. I am often critical of them, but when mistakes are made it is amazing how quickly they notify the committee. You might just take that on board.

Dr Watt—Certainly we will. I was not—

Senator ROBERT RAY—It is far better protection for you. This is an inconsequential mistake, so let us not worry about it too much. They might not all be inconsequential—that is the point.

Dr Watt—Senator, I was not aware of the error until I read the briefing but, yes, we take your general point. If we find anything that is incorrect we would correct it.

Senator FAULKNER—The principle, Dr Watt, is that everyone makes mistakes—as you know; we all appreciate that—but what is required when an error is made is for it to be corrected, that is true, and corrected at the earliest opportunity. The issue I raise goes not to the fact that Mr Edge has corrected it—he has; that is appreciated; the issue goes to when it was discovered and what, if any, delay was involved. There may be no delay; I do not know.

Dr Watt—I said we are happy to take that on notice. I think you will find our general approach is to correct mistakes. We do come back, in between estimates hearings, with corrections, perhaps an embarrassingly large number sometimes.

Senator ROBERT RAY—Okay. Let me just get back to the PM's staffing. He loses two advisers but he picks up a senior adviser and a media adviser. Is that correct?

Mr Edge—That is correct.

Senator ROBERT RAY—He picks up an extra two in the cabinet policy unit—he signs off their work contracts. That is true?

Mr Edge—Yes, that is what I said.

Senator ROBERT RAY—Is there one more somewhere that I have missed in all this?

Mr Edge—For the Prime Minister?

Senator ROBERT RAY—Yes.

Mr Edge—There was a consultant position.

Senator ROBERT RAY—Yes, of course—a consultant position. Could I ask in regard to the consultant position—without going to the exact level; well, you will not answer the question by going to the exact level—is that paid at approximately principal adviser level? Don't blurt out the figure; otherwise you will not get performance pay!

Dr Watt—I think our performance pay would be a bit more broadly based than on one sentence, Senator.

Mr Edge—I just need to consult to check the level.

Senator ROBERT RAY—Why don't we move on—

Senator Abetz—Do you want them to take it on notice?

Senator ROBERT RAY—It is best to get rid of these things, if possible today. It releases burdens and does not create expectations of a quick response.

Senator FAULKNER—Can you tell me who the consultant is?

Senator Abetz—You know, Senator, I have a great reluctance to name names.

Senator ROBERT RAY—Not in this case, Senator. Consultants have always been named. Frankly, I will have to get it from PM&C later tonight. Come on. Our government was always asked to name consultants, and we did so. I have been very wary of asking what the salary level is; I have asked only the range, which is quite proper. We are behaving properly here.

Senator Abetz—It is Dr Starr, and he is employed full time.

Senator FAULKNER—Perhaps the Department of the Prime Minister and Cabinet can help us with this, but do we know what his role is? You may not; we will check it with PM&C if you do not.

Senator Abetz—Ask PM&C, but the normal answer would be 'to undertake those duties as required by the Prime Minister'.

Senator FAULKNER—I imagine that is right, but I am just asking what the duties are.

Senator Abetz—Although it is a full-time position, it is a short-term engagement from 16 October until 29 November.

Senator ROBERT RAY—It is good that we did not want you to take it on notice. He would have gone by the time you gave us the answer.

Senator Abetz—That is right.

Senator FAULKNER—What is his or her role?

Senator Abetz—His role is to undertake tasks from time to time as specified by the Prime Minister.

Senator FAULKNER—Do we know what the tasks are for this consultancy—in the broad?

Senator Abetz—I think you will have to ask PM&C as to what he may or may not be required to do.

Senator ROBERT RAY—What is the person's first name?

Senator Abetz—Graeme; Dr Graeme Starr.

Senator ROBERT RAY—He used to be an employee of the Liberal Party, didn't he? I am not confusing the two?

Senator Abetz—Could be. I do not know.

Senator ROBERT RAY—I will have to make inquiries. What is the salary range?

Senator Abetz—We do not have that information; as I understand it, he is paid a daily fee and travel costs.

Senator ROBERT RAY—Hold on, he is paid a daily fee and travel costs, not a salary?

Senator Abetz—That is my understanding of it, yes.

Senator ROBERT RAY—I could be confused here. Is he being paid by your department or PM&C? He may in fact not be a MOPS employee if you are not paying him.

Mr Edge—I understand he is engaged as a consultant.

Senator ROBERT RAY—Under the MOPS Act?

Mr Edge—You can engage consultants under the MOPS Act.

Senator Abetz—Yes, but is he? That is the question: is he engaged under the MOPS Act?

Senator ROBERT RAY—Is he? He is receiving a daily fee and that seems unusual, in my experience.

Senator FAULKNER—This is the Dr Graeme Starr who was the state secretary of the New South Wales division of the Liberal Party. That is right, is it?

Senator Abetz—I do not know that.

Senator FAULKNER—And as Senator Brandis rightly points out, I think you will find that he was the author of *The Liberal Party of Australia: a documentary history*. Are we talking about the same person?

Senator ROBERT RAY—Yes.

CHAIR—A conservative intellectual.

Senator BRANDIS—A very distinguished scholar, like all of our state directors.

Senator FAULKNER—Unfortunately the tide went out when he published *Policy and change: the Howard mandate*—that would be the same Dr Graeme Starr, wouldn't it? I thought so. We have a unity ticket on that, haven't we, Senators?

CHAIR—It might be a different one!

Senator ROBERT RAY—He is not writing the Prime Minister's biography in this time, is he?

Senator FAULKNER—That would be a better biography.

Senator ROBERT RAY—It would not be as bad as the last one. There is no way of confirming that he is employed under the MOPS Act?

Mr Edge—We can check that, but my assumption is that he is employed under the MOPS Act as a consultant. That is why he appears on the—

Dr Watt—He is.

Senator ROBERT RAY—What is the policy on paying someone a daily fee rather than a salary under the MOPS Act? It must be legal otherwise you would not be doing it.

Ms Mason—We make payments to MOPS employees or consultants in accordance with their terms and conditions of employment, as approved by the Prime Minister or as set out in the certified agreement or AWAs.

Senator ROBERT RAY—Okay. I have not heard of that happening before in terms of someone under the MOPS Act being paid a daily fee, that is all—and expenses, did you say?

Mr Edge—Travel costs.

Senator FAULKNER—So he is no longer with the university. Wasn't Dr Starr with the University of Newcastle?

Senator ROBERT RAY—We will check him out later. I have two things. This will not come as a big surprise: we always ask you to give us a tabled copy of all this, having extracted it out of you. Are you happy to do that?

Mr Edge—Sorry, do you mean the information about staffing positions?

Senator ROBERT RAY—Yes, you usually give us information such as: 'Here are the 371 positions allocated at this level.' I do not think it is normal that you give the names of the employees, but that is fine. Can you do that for us now—update it to 371.6?

Mr Edge—We can do that.

Senator ROBERT RAY—Can you do that now? That is really what I was hinting at.

Mr Edge—Yes.

Senator Abetz—In fact, the list that we have is different to the one from last time. It also includes opposition and Democrat staffing levels.

Senator ROBERT RAY—Are there no little footnotes at the bottom that will assist us this time?

Mr Edge—Just to pick up on that point about the two positions, my understanding is that we only became aware of it in the last week, when we were compiling the information that we are about to table.

Senator ROBERT RAY—How many staff positions are now allocated to the Prime Minister's office, including the cabinet policy unit? What is the total number?

Mr Edge—There are 38.1 full-time equivalent positions in the Prime Minister's office.

Senator ROBERT RAY—Does that include consultants and the cabinet policy unit?

Mr Edge—Including the policy unit, it would be 43.1.

Senator ROBERT RAY—But it does include it. Do you have anything further to add on that?

Mr Edge—You asked me the numbers—

Senator ROBERT RAY—When someone rushes from the back of the room to assist you, I am just making sure there has been no change.

Mr Edge—I was just explaining—

Senator FAULKNER—There has been no late change?

Mr Edge—No.

Senator Abetz—In the list that has been provided, there is a category of Prime Minister, which has 38.1 next to it. The official was pointing out that there is another category, cabinet policy unit, which has five next to it, so you add those to that.

Senator ROBERT RAY—We have established at a previous committee that there are four principal advisers being paid in excess of what the range is for principal advisers. Are there still four? While you are looking that up, Senator Abetz, you mentioned before in these figures that you have added in opposition and Democrat staffers. That is helpful. What about staffers for minors and all the rest—for example, the Greens, people who have deserted their party and all the others?

Senator Abetz—That is in there as well, including former Prime Ministers and category parliamentarians not affiliated with a major political party

Senator ROBERT RAY—So we have a total picture? That is all I am asking.

Ms Clarke—I can answer your last question and confirm that there are four principal advisers being paid above the range.

Senator ROBERT RAY—They work for the same bosses as last time? There were two for the Prime Minister, one for Mr Anderson—now you are stretching me—and one for Mr Costello, wasn't it? I am not sure.

Ms Clarke—I can confirm there are four, and they have remained the same.

Senator ROBERT RAY—That is good enough. I think we last addressed this in May this year. Without going to the amount again, have any of those four principal advisers had a further pay rise outside the limits of principal private secretary?

Ms Clarke—It is my understanding that they have not received a pay rise.

Senator FAULKNER—How many rounds of increases have there been since July 1999 for those four?

Ms Clarke—I am sorry, I would have to take that on notice. I do not have the details broken down per person over that period of time.

Senator ROBERT RAY—These things are usually reviewed in April each year, aren't they?

Ms Clarke—The salary review for government staff was conducted in April this year.

Senator ROBERT RAY—Were they increased in April this year?

Ms Clarke—I do not have with me the details of salary increases by individual for each salary review. I would have to take that on notice.

Senator ROBERT RAY—We might get back to this later in the day because we have been monitoring these four cases. It continues to be the case, Minister, that you will not reveal how much over the category of principal they are being paid?

Senator Abetz—That is right.

Senator FAULKNER—The issue is, if you could check, the number of reviews and pay rises since, say, July 1999. You can compare those with any senior opposition staff if you want to put in a balancing factor.

Ms Mason—We can tell you that there have been three reviews; what we cannot tell you at this point is how many increases there may or may not have been for the individuals that you have grouped.

Senator FAULKNER—I appreciate that, Ms Mason. As you see, I am drawing a distinction—a possible distinction, I appreciate—between the number of reviews and the

number of increases or decreases. No doubt you will tell us if there were decreases, but I think that would be very unlikely, don't you?

Ms Mason—Yes, most people's salaries tend to increase.

Senator FAULKNER—Let's not treat that seriously; let's just worry about the increases.

Senator Abetz—All good staff are deserving of increases rather than decreases.

Senator FAULKNER—If you would compare it with the situation over a similar period to the number of reviews of senior opposition staff and the number of increases, I think that information would interest the committee.

Senator ROBERT RAY—Following our last estimates hearing, there has been correspondence on opposition staffing and reviews et cetera—which I think you invited almost at the last minute. Where is that up to? I think you have dispatched a letter recently on that.

Senator Abetz—I have a statement in general terms in relation to this, which I will read out if that is appropriate. I agree that what was revealed last time was not satisfactory so, if I bring you up to date with what has occurred, that may obviate some questions. If you will bear with me, it is about 1½ pages.

Senator ROBERT RAY—Sure. Speak slowly, we have to take notes!

Senator Abetz—At the committee's hearing in May, a number of matters came to light in relation to the salary scales and performance reviews for senior non-government staff. In the development of a performance based system of salary reviews for senior ministerial staff in 2000, a number of differences developed in comparison to the systems that applied to non-government staff. Whilst acknowledging at the time that a system would need to be developed for the opposition, no immediate action was taken to commence work on a performance based system for non-government staff.

Immediately following the hearing, I expressed my displeasure. The secretary indicated that he would be fully examining the circumstances surrounding the issues raised. The outcome of that investigation was that the differences developed after annual performance reviews were introduced for senior government staff in 2000. The secretary found that Ministerial and Parliamentary Services had not adequately tracked changes to government salaries and their implications for non-government staff. The differences continued to grow as time progressed.

The department has completed a full review of salary setting arrangements for SES equivalent staff. The outcomes of that review have been submitted to me in the form of recommendations to address the inequities that have evolved. I have since put those recommendations to the Prime Minister, and I expect to hear back from him shortly. When I have the Prime Minister's response, I will be in a position to respond to the Leader of the Opposition's specific requests in relation to the framework and the way it is administered.

I can advise that the secretary and Ministerial and Parliamentary Services took immediate steps to improve the administration of the framework for setting opposition salaries. I am confident that the steps taken will provide better administration. In terms of correcting the errors in the table provided in May, immediately following the May hearings I issued the Leader of the Opposition with a revised table showing the correct salary ranges under the performance review framework and apologised for any uncertainty that the error had created.

The error occurred in the translation of the salary scales whereby the ‘standard points’ dropped, and not in the preparation of the table itself.

I also confirmed that the opposition have always had the flexibility—and continues to have it—to approach the government to go outside the approved framework. I should also make the point that, where differences have developed in the frameworks for government and non-government staff, it is because the government embraced a philosophy that moved senior staff to an individual performance based system of salary review. The opposition made no request to discuss the framework that applied to their employees and has never embraced the approach.

The Labor Party has never supported the government’s policies in this area. Any inconsistencies that developed were as much based on philosophical differences as they were on administrative changes. There was no intention on the government’s part to disadvantage the opposition’s employees. I am pleased that Mr Crean has now indicated his desire to adopt a system of salary review, based on performance, in his senior staff management strategy.

Senator FAULKNER—So what we can expect now, Minister, is for Senator Ray and me to be shouted a party by non-government staff as a result of the last estimates round and this outcome. Would you and Dr Watt like to be invited along if it happens?

Senator ROBERT RAY—Don’t hold your breath!

Senator Abetz—I doubt that the invitation would be forthcoming, and it is against standing orders to misrepresent situations. So I am not sure that that would be occurring.

Senator FAULKNER—It would never happen at this committee.

Senator Abetz—Good. Let us not start it.

Senator ROBERT RAY—Minister, I think you probably have headed off a substantial line of questioning but there is still one element I am interested in, because people raise it with me quite often. This element is your capacity under certified agreements to permit appointment of a staff member at a higher salary point than the minimum point in a particular classification. Do you have that power?

Senator Abetz—I do, yes. I have a discretion.

Senator ROBERT RAY—So you have a discretion.

Senator FAULKNER—Is that called ‘personal classifications’? Is that the correct terminology in this instance?

Senator ROBERT RAY—No.

Senator Abetz—No.

Senator FAULKNER—What are those classifications called?

Senator Abetz—As I understand it, in this case it is a discretion to start somebody at a higher level than the normal base level at which employees would normally start.

Senator ROBERT RAY—Could you indicate to me how many times you have: (a) been requested to exercise this discretion, and (b) actually exercised the discretion?

Senator Abetz—I cannot tell you how many times I have been asked to exercise the discretion. I will be corrected if I am wrong, but I think I have exercised it twice. We will check the record, but I am pretty sure it is only twice.

Senator ROBERT RAY—That is fine. Do you know if you have ever granted an opposition request?

Senator Abetz—I do not believe so.

Senator ROBERT RAY—Again, you are qualifying it so it can be corrected. What about a non-government request?

Senator Abetz—Yes.

Senator ROBERT RAY—You have?

Senator Abetz—Yes.

Senator ROBERT RAY—On just one occasion?

Senator Abetz—Yes. Of the two occasions that come to mind, one request was government and one was non-government.

Senator ROBERT RAY—It was non-government but not opposition.

Senator Abetz—Yes, that is right.

Senator ROBERT RAY—Without revealing the staff member, you might indicate the two circumstances in which this permission was given. In other words, I do not want to know the staff member's name in this case but their employer.

Senator Abetz—If I may, I will take those two on notice so that I can put the detail on the record.

Senator ROBERT RAY—Okay. Getting back to the issue of personal classifications, which Senator Faulkner inadvertently raised, I think the last time we heard there were some 29 personal classifications in ministerial staffing, and we had those broken down. Are there any major changes to that? That is really only a preliminary question.

Ms Clarke—I can table a document which breaks down the personal classifications, including the special advisers.

Senator ROBERT RAY—That would be good. It would be really nice to get some quick photocopies. We still do not have that list of 371. I know it has been handed up, but we would like to get some copies of it because it does help. Thank you for that. I will have a look at that in a moment. You have given the rationale for this previously, Minister, which we have not quibbled with too much, I have to say. But what flexibility will there be in future for, say, the Democrats or the Labor Party to make out a case on personal classification? I do not think we can have an allocation; I accept that. I do not think we can have a proportional allocation because, as you have said, in each case there has to be some argument mounted for special advisers or whatever else. I would not be at all surprised if there were not a couple of cases already in the opposition.

Senator Abetz—Yes, it is on a case by case basis, and in recent times the case of one opposition staffer was presented to me and an appropriate classification was made for that staffer.

Senator ROBERT RAY—All I am asking—and I think you have confirmed that the principle is there—is that an opposition, whilst it has no automatic right, is entitled to approach you for a change of classifications if it can mount a case?

Senator Abetz—Yes.

Senator ROBERT RAY—And they can mount it either way, up or down, the same as the government?

Senator Abetz—Yes. But if it is to go down, I think that is usually a suggestion to the staff member that alternative employment might be more appropriate sometimes—or not?

Senator ROBERT RAY—No, hold on. Five of your allocated positions went down. That was not the message you were giving them; that was overall balance, surely? That is not the way you get rid of people on the ministerial side—by saying, ‘We are changing your personal classification down’. Because you were in evidence last time as saying, I think, that five cases went down.

Senator Abetz—We started them lower but I do not think we reduced them. It is not relevant to the question.

Senator ROBERT RAY—That is right. You have not actually said to someone that they are being classified down, but you classified the position down before appointing someone.

Senator Abetz—Yes.

Senator ROBERT RAY—That is fair enough.

Senator Abetz—I have just been advised that the opposition staffer received an ‘above range’ salary.

Senator ROBERT RAY—Yes, that is a bit different. I understand that, especially—

Senator Abetz—Not on a personal classification.

Senator ROBERT RAY—Given your page-and-a-half statement before, I understand where that circumstance may apply. Having established that that has not happened in the past, I am asking you whether there is anything in principle to stop an opposition member or a Democrat asking for a reclassification on a case by case basis?

Senator Abetz—No.

Senator ROBERT RAY—That is good. I had not known of it myself, but I do know of that other case you were talking about. It was very justified.

Senator FAULKNER—I know of a case too.

Senator ROBERT RAY—It is the same one.

Senator FAULKNER—I think we know—

Senator Abetz—Chances are that it is the same one I am thinking of.

Senator ROBERT RAY—Cheerio!

CHAIR—I think this is an appropriate time for a break.

Proceedings suspended from 4.08 p.m. to 4.24 p.m.

Senator Abetz—Senator Ray, in relation to your question before the break, the actual numbers allocated to the Prime Minister’s office have not in fact changed since last time. It is still at 38.1. We have had two adviser positions disappear and a senior adviser and a media adviser come into the Prime Minister’s staff allotment, but there is the extra consultant and cabinet policy unit person.

Senator ROBERT RAY—Minister, on previous occasions when these tables were produced, weren’t consultants part of the establishment? Has there been a change of policy?

Mr Edge—That is correct, Senator. The table that was produced at the hearings in May had a consultant position on the establishment. The change there has been from 0.5 of a position to 1.5 positions.

Senator ROBERT RAY—Now you have confused me. It was 38.1 last time.

Mr Edge—Exclusive of consultants. This is 38.1 positions, exclusive of consultants.

Senator ROBERT RAY—If we added in consultants, as has been done to compare it with previous Labor governments, the figure would be 39.6. That is right, isn't it?

Senator Abetz—Yes.

Senator ROBERT RAY—Mr Gavin might be able to assist us with this. He has been relaxing at the back of the room. I am sure consultants used to be in the overall figure. When was the decision made to take them out of the overall figure?

Mr Edge—Senator, I am not aware of the format of the tables that were produced in the past.

Senator ROBERT RAY—That is why I asked the corporate memory of the department.

Mr Edge—But I would say that the consultant position is clearly identified in the table that was provided in May and also provided today.

Senator ROBERT RAY—It is no big issue, but they used to be included. That figure of 38.1 would have been 39.6, let's say, two years ago. I am asking: who made the conscious decision to take them out of that overall figure and identify them elsewhere?

Senator Abetz—I am not sure. As I understand it, no conscious decision was taken. It is the formatting and classification of staff in various offices.

Senator ROBERT RAY—So it has happened by osmosis?

Senator Abetz—Changes are that that would be a good explanation.

Senator ROBERT RAY—Okay.

Senator FAULKNER—Minister, are you aware of whether Mr Cousins is still on board as a consultant to the Prime Minister.

Senator Abetz—I believe he is.

Senator ROBERT RAY—Do you utilise his services, Minister?

Senator Abetz—I dare say that all citizens benefit from his services to the government.

Senator ROBERT RAY—He has not given you any direct media training?

Senator Abetz—No.

Senator ROBERT RAY—Thank you.

Senator Abetz—You would not blame him for my performances, would you?

Senator ROBERT RAY—I thought you had been performing better. I just assumed he had been at work there.

Senator Abetz—I had better cut that out of *Hansard* and send it to the preselectors!

Senator ROBERT RAY—I could assist them even further by endorsing you!

Senator FAULKNER—It will prove for all time that Senator Ray has a sense of humour.

Senator Abetz—Let us move on.

Senator FAULKNER—I have a question about mobile phones, which you are aware from correspondence from me have been a concern in relation to opposition MOPS staff. Minister, what is the situation in relation to government ministerial staff? Is it true that all government ministerial staff get mobile phones?

Senator Abetz—I would assume that depends on each department. We might be able to get you a whole of government answer on this. It is up to each department to allocate out to the ministerial office staff.

Senator FAULKNER—Okay, I would appreciate you taking that on notice.

Senator Abetz—I was just going to say that, if we have a choice, we will not take it on notice; but seeing that you have asked that it be on notice, we will take it on notice.

Senator FAULKNER—Let us nail this down to the Department of Finance and Administration, which you can help us with. Can someone say what the situation is in relation to yourself and Senator Minchin?

Dr Watt—We can.

Senator FAULKNER—Thank you; I appreciate that, Dr Watt.

Senator ROBERT RAY—Senator Abetz, you have 9.6 staff; is that right?

Senator Abetz—If that is what the table says. Let us have a quick look.

Senator ROBERT RAY—It is about five lines from the bottom.

Senator Abetz—I am just going through.

Senator ROBERT RAY—I am just trying to find Senator Minchin here too. Yes, it says 9.6 for you, Senator Abetz, and 12 for Senator Minchin. So it 21.6 staff. Let us drop off the 0.6 and see how many mobiles are allocated.

Mr McAuley—I do not have the precise details of the number of phones. We can probably get that for you fairly quickly.

Senator ROBERT RAY—How quickly could you get it?

Mr McAuley—We could get it in the next 10 or 15 minutes, probably. Can we get back to you?

Senator ROBERT RAY—I draw your attention to Senator Faulkner's question on notice dated 19 June. That was a while ago, wasn't it? The question was:

- (1) How many mobile phones has the department, or any agency within the portfolio, provided to the following: (a) a minister (please include the name of the minister or ministers); (b) staff of a minister employed under the Members of Parliament (Staff) (MoP(S) Act); (c) a departmental liaison officer in a minister's office; (d) a parliamentary secretary (please include the name of the parliamentary secretary or secretaries); (e) the staff of a parliamentary secretary employed under the MoP(S) Act; and (f) a departmental liaison officer in the office of a parliamentary secretary.

That is about four or five months old; that is not the 15 minutes. Why is that, Dr Watt?

Dr Watt—I think we will have the answer for you in a moment.

Senator ROBERT RAY—But why has it taken four months not to answer this question?

Dr Watt—I think there is an answer for you and you are about to get it.

Senator ROBERT RAY—Yes, but why has it taken four months?

Dr Watt—I am getting you an answer to that question.

Senator ROBERT RAY—Sorry, I thought you were giving us the actual answer to the question; I misinterpreted.

Mr McAuley—As I understand it—but I would like to come back and confirm the accuracy of this—the question was asked of every department and agency—

Senator FAULKNER—That is true.

Mr McAuley—and a whole of government response is being prepared.

Senator ROBERT RAY—By who?

Mr McAuley—I am not sure; I will check. It may be PM&C, but I will confirm that.

Senator ROBERT RAY—It is a pity we sent PM&C back to their department.

Mr McAuley—I will get back to you on that very shortly.

Senator ROBERT RAY—Let me ask you this: if there is a whole of government response, when did you prepare your answer and forward it on to whoever is coordinating it for a whole of government answer?

Mr McAuley—I will get the details of that for you, Senator. I do not have that with me.

Senator FAULKNER—When and who informed you that the response to this particular question on notice would be a whole of government response?

Mr McAuley—Again, that is something that I will have to check; I do not have it with me. We can get the dates.

Dr Watt—We will see what we can do to get you the answers for in the next half an hour.

Senator FAULKNER—And why? You may not know that, of course. You must be caught up in the whole of government juggernaut.

Mr McAuley—I will endeavour to find out.

Senator Abetz—You might have to ask that at eight o'clock.

Dr Watt—When should be easy.

Senator ROBERT RAY—With respect, Minister, we do not have to ask all of these questions at eight o'clock.

Senator Abetz—No, not all of them; but the last question of Senator Faulkner as to why that decision was made—

Senator ROBERT RAY—Yes, fair enough; sorry.

Senator FAULKNER—There is, of course, a very clear responsibility for your own department in relation to certain elements of this particular request from us.

Senator Abetz—Yes, absolutely; I accept that.

Senator ROBERT RAY—Mr McAuley, maybe you would like to step down and make those inquiries. We will move on to other areas and come back to it.

Mr McAuley—I will do that.

Senator FAULKNER—I want to ask a question, Dr Watt, about the costs of the Prime Minister's overseas trips. I asked some questions about two trips Mr Howard had undertaken in a previous estimates round. I was somewhat surprised by the answer from the Department of Prime Minister and Cabinet indicating that most of the costs associated with the Prime Minister's overseas visits were actually paid for by your department, hence the questions I asked were effectively transferred to your department. Can you indicate to the committee how the break-up works—what the Department of Finance and Administration pays for and what the Department of Prime Minister and Cabinet pays for?

Mr Edge—Can I take a minute to clarify a point and then we should be able to answer that question for you.

Mr Gavin—The break-up depends of course on whether or not the flight is a VIP flight. Basically, we pay for the Prime Minister and prime ministerial staff, and accompanying departmental officials are paid for by their home department.

Senator FAULKNER—I see. Have you prepared answers to those questions on notice that have actually been forwarded or transferred to the Department of Finance and Administration?

Mr Gavin—Personally I do not know about your questions. I am sorry.

Dr Watt—We will see what we can do to check where they are.

Ms Mason—I have just consulted with our manager of group coordination—his is a central point that would receive such questions that may be transferred to Ministerial and Parliamentary Services—and we are unaware of those questions having been transferred to us at this point in time.

Senator ROBERT RAY—There is an obligation, Dr Watt—or at least that is what has been explained to me—that, if a question is not relevant to you, you send it on to another department, isn't there? That is the formal practice?

Dr Watt—That would be the norm, as I understand it, yes.

Senator ROBERT RAY—I am just checking that nothing has changed there. I have seen it happen.

Senator FAULKNER—But you are able to say to me that no questions have been referred from the Department of Prime Minister and Cabinet to you on this issue from the budget hearings in May this year?

Ms Mason—I do not think I can be quite that definitive. What I can say is that Ministerial and Parliamentary Services is unaware of those questions having been transferred.

Dr Watt—We are seeking to have this matter further confirmed.

Senator FAULKNER—Let me go back a step. What section of the department is responsible for administering such costs? Is it output 3 or not?

Ms Mason—It would be outcome 3. In terms of the process for transferring questions, however, they would normally be received by the department, by the Corporate Group, and transmitted to the relevant business group. I can say that within Ministerial and Parliamentary Services, which are responsible for the administration of outcome 3, we are unaware of the questions having been transferred. It is a separate issue, however, as to whether they may have been received elsewhere in the department, and that is being checked at the moment.

Senator FAULKNER—The answer I got to my question on notice was this: ‘The Department of Finance and Administration pays for most of the costs associated with the Prime Minister’s overseas visits, and this part of the question has been transferred to that department for response.’ But you are not aware of it.

Ms Mason—That is correct.

Senator FAULKNER—And if it had been transferred, you are saying, you think you would be aware of it.

Ms Mason—That is correct. There may possibly have been an administrative breakdown in the transmission of the document or the question from the Department of the Prime Minister and Cabinet to the department of finance or from one part of the department of finance to my business group. But I can say that within my business group, to the best of my knowledge, we are unaware of it having been transferred.

Senator FAULKNER—In answer to another question I asked in relation to the costs of the Prime Minister’s attendance at the Queen Mother’s funeral, I received this answer: ‘Total expenses for the Prime Minister’s attendance at the Queen Mother’s funeral will not be known until the costs incurred by the High Commission in London have been processed by DOFA and acquitted. This information is not yet available.’ So I assume there is some tick-tacking between your department and Prime Minister and Cabinet on these things? Would that be right?

Ms Mason—I am informed that that question was received by us at around 3 p.m. this afternoon.

Senator FAULKNER—Really? At 3 p.m. this afternoon?

Senator ROBERT RAY—From PM&C?

Ms Mason—Yes.

Senator ROBERT RAY—Who sent it to you?

Ms Mason—I do not have the answer to that question.

Senator ROBERT RAY—I would not mind knowing. I think they are treating you with contempt and this committee with contempt—in the general description of the word ‘contempt’, not in terms of parliamentary privilege. I think I mean contemptible rather than treating the committee with contempt. I am absolutely a pedant; I do not know where I learnt that from.

Senator FAULKNER—Senator Ray is asking: who in the Department of the Prime Minister and Cabinet communicated with you at 3 p.m. this afternoon?

Ms Mason—I do not know the answer to that.

Dr Watt—I think you might be better to take that one over to PM&C.

Senator FAULKNER—No.

Senator ROBERT RAY—We want to be prepared when PM&C come. We want to know who gave you that ambulance handpass.

Dr Watt—I think the point is that we have got the handpass and we will deal with it as expeditiously as we can.

Senator ROBERT RAY—That is not the point at all; the point is about the processes of this committee, which are pretty lousy a lot of the time. Here a question is asked of a fellow department—and they actually meet the technical requirements—which pass it on to you five months later, at three o'clock. You would not think that was a proper procedure, would you, Minister?

Dr Watt—I am not defending the process.

Senator FAULKNER—One assumes that it was passed on today because of the imminent appearance of the Department of the Prime Minister and Cabinet and yourselves at this estimates committee.

Dr Watt—Again, I think you probably should take that up with PM&C.

Senator ROBERT RAY—Can you give us the answer to the question that they passed on?

Ms Mason—I do not have the answer to that question.

Senator ROBERT RAY—It has been two hours; you have not been able to do it. They expect you to have done it. There is always someone worse than you.

Senator FAULKNER—Could we establish who in the Department of the Prime Minister and Cabinet passed this question through? I am sure that is doable. It should be very fresh at least in someone's mind. So I can get it clear in relation to the Prime Minister's trips, can you indicate to me what elements of these trips are paid for by DOFA and what elements are paid for by the home department—in this case PM&C—or other departments? That is just so I understand the broad principles.

Ms Mason—I thought Mr Gavin had answered that question already.

Senator FAULKNER—Can we go through that again? I want to be clear on it, please, Mr Gavin. What do you pay for? I appreciate what you say about VIP flights and so forth, but let us go through it so I am very clear on it.

Mr Gavin—I am happy to. Incidentally, a lot of this information is in the travel document that is tabled each six months.

Senator FAULKNER—Some of it is and some of it is not.

Mr Gavin—That is right, yes.

Senator FAULKNER—What I am asking is a different question. What do you pay for and what do they pay for?

Mr Gavin—The principle is the same as applies domestically, which is that for the minister, the personal staff of the minister and the spouse, costs are met by Ministerial and Parliamentary Services. For travel by any accompanying officials, costs are met by the home department.

Senator ROBERT RAY—But what appears, when you are talking about tabled information, is only what you pay.

Mr Gavin—Absolutely, and that is what we say in the document.

Senator ROBERT RAY—Senator Abetz, I want to ask you about some of your own staff arrangements, which I notice have been either fairly or very unfairly portrayed in the media. I take you to a news item on 15 August 2002 by an announcer. Lucy Shannon is the reporter. I am sure it would have been brought to your attention. It said:

In an apparent effort to reverse the poor showing—
this is related to the Tasmanian state election, I interpose—
the Prime Minister John Howard—
they left the ‘Mr’ out, not me—

has agreed to give Senator Abetz an extra staff member to focus on Tasmanian matters. Independent Senator Brian Harradine’s former Chief of Staff John Shaw will take on the job aiming to strengthen party relationships with business and the community.

I will give you an opportunity to comment on that, because I have not found a public comment by you on this subject.

Senator Abetz—That is wrong. The figures that have been shown today indicate there was an adviser position in my office. That has been removed. I have an assistant adviser in that place. It is one of those ABC beat-ups that those of us on the Liberal side of politics in particular have to suffer from time to time. Mr Shaw’s work is as directed by me, but it is not to do with Liberal Party work. I think that clarifies it, unless you have other questions.

Senator ROBERT RAY—This is the ABC, I take it. Did you ask them for a retraction?

Senator Abetz—No, I did not. What use is it? They would just play the story yet again with a different slant on it. Somewhere in the media it said that it was ‘revealed by the ABC’. It was disappointing when I in fact rang the news editors around Tasmania, including the ABC, indicating to them this particular appointment just in case anybody was to ever raise it. I was letting them know proactively. Then, down the track again, it was revealed as some great scoop. They did not say that Senator Abetz proactively rang the ABC to tell them that Mr Shaw was to assist him on economic and social development policies for Tasmania. There are some real difficulties, as most people would understand, both economically and socially in Tasmania. As a government minister I get a host of requests to deal with matters over the broad range of portfolios. The previous minister from Tasmania, former Senator Newman, was a cabinet minister. She of course had more staff, and that was Mr Shaw’s basis of appointment.

Senator ROBERT RAY—So you can assure the committee that Mr Shaw is not doing any Liberal Party work on your behalf in Tasmania.

Senator Abetz—Pardon?

Senator ROBERT RAY—You can assure the committee that Mr Shaw is not doing any Liberal Party work on your behalf.

Senator Abetz—Absolutely. I have just been advised—I did not ring the ABC to correct the situation—that one of my staff did ring the ABC at 11.30 a.m. This story played at 8.30 a.m. I am advised that one of my staff in fact immediately telephoned the ABC to correct it, so they had greater faith in the ABC than I did. Of course, the correction was not played and, if they had followed my approach to it, they would have saved their breath.

Senator FAULKNER—It was not the only damaging accusation made, Minister. There was of course the accusation made on the crikey.com web site. Let me quote it directly. It said, ‘He,’ and I interpolate that he is you—

Senator ROBERT RAY—Minister, there was a more insulting reference to you above that we do not want to put on the public record under privilege.

Senator Abetz—I think you know my general attitude to crikey, but give it a go.

Senator FAULKNER—Well, I do not know that but I want to quote this to you: ‘He kindly let—

Senator ROBERT RAY—Lent.

Senator FAULKNER—Lent; what did I say?

Senator ROBERT RAY—Let.

Senator FAULKNER—I did not mean to.

Senator Abetz—No, I do not lease out staff.

Senator FAULKNER—It reads:

He—

I interpolate Senator Abetz—

kindly leant staffer Danielle Moore for the duration of the campaign—

and I interpolate again that this is a Tasmanian state election campaign—

to direct the Libs media strategy—and that’s just for starters.

Who knows what happened after the starters, but have you done anything to refute those scurrilous accusations that you loaned your press secretary to the Tasmanian Liberal Party to work on the state election campaign?

Senator Abetz—Allegations that are raised in crikey—especially when you know who the person is in Tasmania who provides a lot of the information to crikey—you would not waste your breath on. I can indicate to you that that staff member did not undertake the activities that were asserted. Can I simply say that, if she had, things might have been a bit different.

Senator ROBERT RAY—The proprietor of crikey.com used to be Jeff Kennett’s press secretary, Mr Stephen Mayne. That’s right, isn’t it?

Senator Abetz—I am not sure that is in my ministerial—

Senator BRANDIS—Chair, I want to raise a point of order on relevance at this point. The questions have trespassed far beyond what is relevant to the estimates.

CHAIR—It is interesting, though.

Senator ROBERT RAY—We are giving Senator Abetz a chance to say that his staff was not misused. Twice he has asserted that; that has corrected the record. I do not see where that is irrelevant.

Senator Abetz—And, of course, it has kindly aired the allegation again as well.

Senator ROBERT RAY—Anything to assist, Minister!

Senator Abetz—Yes, anything to assist. It is all heart!

Senator ROBERT RAY—Let me assist you one last time. The amiable Dr Phelps behind you is the target of this question.

Senator Abetz—What is the allegation against him?

Senator ROBERT RAY—I would not even give it the credence of an allegation, but I am hoping that you will be able to assure us that Dr Phelps did not act as a returning officer for the Liberal students conference in Brisbane.

Senator BRANDIS—Point of order, Chair. This is irrelevant. It cannot on any view be regarded as bearing upon the estimates, and you should rule the question out of order.

CHAIR—It is probably stretching it a bit, Senator Ray.

Senator ROBERT RAY—Stretching it a bit, is it? It is about the misuse of staff. It is the minister countering the allegations made that his staff are misusing their position. He has done so twice, and that is something I was inviting him to do one last time.

Senator Abetz—As I recall it, I addressed that august body—that great institution, the Australian Liberal Students Federation—and, as I understand it, Dr Phelps did not act as returning officer.

Senator ROBERT RAY—That is excellent. That is good news.

Senator Abetz—That shows, yet again, that these sorts of allegations and assertions are thought up in somebody's sick mind, put on a web site and then publicised around the place, which does a lot of damage. They have no compunction about doing it, and it says a lot about those who put such things in the public domain.

Senator FAULKNER—But we can be clear—this is the substantive point here—that a suggestion that your press secretary worked on the Liberal state campaign has no basis. That is what you are saying to us?

Senator Abetz—That might be a different allegation. It was put to me that it was to do with the media—doing the state parliamentary media. Now you are asking me what?

Senator FAULKNER—The allegation that is made is that you kindly lent your staffer to work on the Tasmanian state election campaign—they say specifically for the duration of the campaign, to direct the Libs media strategy. I am asking you whether there is any truth to the broad accusation that your press secretary worked on the Liberal Party state campaign in Tasmania. I may be asking it in a different way, but I want to be absolutely satisfied.

Senator Abetz—That is a different form of question. What I can say is that all my staff work under my direction and within the appropriate entitlement.

Senator FAULKNER—Was this staff member on leave from her responsibilities?

Senator Abetz—No.

Senator FAULKNER—So you cannot tell us whether she worked on the state campaign or not?

Senator Abetz—I am sorry?

Senator FAULKNER—So you cannot tell us?

Senator Abetz—She may have done volunteer work after hours, as I think most of our staff do, and that is why I think—

Senator ROBERT RAY—She was seen around the traps.

Senator FAULKNER—Seen around the traps by crikey.

Senator ROBERT RAY—Not checked; accusation made.

Senator Abetz—It is very easy to make the accusation and put it in the public domain; it is a lot harder to clear the record. In fact, I have just been advised that the Australian Liberal Students Federation have the Queensland Electoral Commission act as returning officers.

Senator FAULKNER—Good.

Senator ROBERT RAY—Very good. You have cleared the name here today.

Senator Abetz—And an alibi, what's more!

Senator ROBERT RAY—That is exactly right. See, we do have a purpose.

Senator FAULKNER—It is the first time you have ever come up with an alibi, Senator Abetz. Congratulations, that is a first for you.

Senator Abetz—I do not think I need them.

Senator FAULKNER—Did you do anything to refute that accusation in relation to Ms Moore?

Senator Abetz—I do not worry what is in crikey, quite frankly; it is a disgraceful publication.

CHAIR—It is not going to become a pattern, is it, gentlemen, that allegations are taken from crikey and put to ministers? This is a new development that I am not sure is—

Senator ROBERT RAY—We might reveal who some of their secret correspondents are from Queensland—you never know.

Senator Abetz—The correspondent from Tasmania is not so secret.

Senator ROBERT RAY—Isn't it? Tip us later!

Senator Abetz—Could it be: ran a failed republican move and then got disendorsed and now he assists the Australian Democrats to reach the dizzy heights of two per cent?

Senator ROBERT RAY—That has narrowed it down a bit!

Senator FAULKNER—The people who have recently joined the Australian Democrats, Senator Abetz, are a very small number of people to choose from. There are a lot leaving but not a lot going in, I can tell you.

CHAIR—It is not two per cent; it is just two.

Senator ROBERT RAY—As Churchill once said, it takes a lot of courage for a rat to swim towards a sinking ship. Could I ask you about frequent flyer points.

Senator Abetz—The old question. Yes.

Senator ROBERT RAY—I notice that the New South Wales government some months ago negotiated an all of government deal with Qantas, I think it is, part of which is that you get a discount but no frequent flyer points. I wondered whether we could head in the same direction. The answer that has always been given in the past is that they are not interested, they will not negotiate. But now, as I understand the deal has been done with New South Wales, can we head in the same direction?

Dr Watt—This did come up at the last estimates, and I think that is exactly the answer we gave—not that we are not trying but that we are going to head in that direction. Ms Mason can give you more details.

Ms Mason—A number of Commonwealth agencies, in addition to the New South Wales government, have succeeded in negotiating deals that offset the entitlement to accrue Frequent Flyer points in return for discounts. Ministerial and Parliamentary Services, having signed a new contract yesterday with Synergy, will now attempt to negotiate similar deals for travel by

senators, members and their staff. I am not sure of our prospects of success but, given that there are precedents, we would be hopeful of concluding a similar deal.

Senator ROBERT RAY—I am sure it would get support from this committee; that would be good. Do you put a requirement on Synergy in this building not to do any private work and to do only contract work? Where does that come from? Minister, let us say I wanted to book my holiday trip and I thought I would whip down to Synergy and do it there, without any discount or anything else. I do not think I could do it at the moment, and I wonder why.

Senator Abetz—I am not aware of that. Mr Barnes might be able to help.

Mr Barnes—There is intended to be a service for people to book private travel through the Synergy office, and that arrangement has been made in concert with the contract obligations of Synergy to provide services to parliamentarians and their staff.

Senator ROBERT RAY—I am wondering why it would ever have been prohibited in the first place. I would have thought the more turnover that goes through Synergy in this building, the more viable they would become and the better off we would all be. Can you explain why that has historically been a problem?

Mr Barnes—Synergy themselves have not sought normal retail services. In fact, it would be a first for that company to provide them in Parliament House in Canberra. It is a recent decision to try to provide that service here.

Senator ROBERT RAY—But you have no in principle problem with that. It is not just parliamentarians; 3,000 people work in this building. It is quite often convenient to say, ‘I want to go and book an airline, but it is not actually on the official purse. I would like to go there.’ You do not have an objection in principle to that?

Mr Barnes—Not at all. The only complexity was organising the appropriate administrative arrangements to separate those two activities.

Senator ROBERT RAY—I think they are capable of that. I think they would ask for a credit card or a cheque if it was not official.

Ms Mason—Our key priority is to ensure the booking of official travel is efficiently done and that the resources we have contracted Synergy to supply are supplied for that purpose. If there is additional capacity able to be supplied by Synergy to provide additional services then in principle we would not object to that.

Senator ROBERT RAY—Was it the department’s or Synergy’s decision to require all members of parliament to be e-ticketed from next year or to pay out an additional \$50 per ticket? Where does that come from?

Mr Barnes—I do not have the faintest idea; I have not heard of this issue.

Senator Abetz—We will take that on notice.

Senator ROBERT RAY—Even if it were to be argued that there should be a fee—and I must say, I am old-fashioned; I prefer a paper ticket—you would have thought they would have pro rataed it according to the cost. If you could have a look at the issue—it is not urgent—and give me a response, I would appreciate it. The computer help desk is now, after all these years, just becoming one for parliamentarians both in this building and in their electorate offices. Is that right?

Mr Staun—Yes. We are negotiating, and we are in the final stages of that with DPRS, to have a single operating environment and a single help desk operating for members and senators both in Parliament House and in their electorate offices.

Senator ROBERT RAY—How long have those negotiations been under way?

Mr Staun—A month and a half. We have received a letter of agreement, a memorandum of agreement, with DPRS. What still have to be finalised are detailed service level agreements. They are in train at the moment.

Senator ROBERT RAY—Do you have to transfer resources over to them?

Mr Staun—Correct.

Senator ROBERT RAY—To what extent?

Mr Staun—I think the figure that was originally agreed for the One Office project, which will include this plus an adjustment, was in the order of \$1.6 million.

Senator ROBERT RAY—So you are all happy with that arrangement?

Mr Staun—Certainly everything we have done so far suggests that this will provide a much better service to members and senators, and it is something that we believe we can benchmark comparatively on a cost basis with external providers.

Senator ROBERT RAY—Congratulations, Minister. That has been long overdue. Progress is being made.

Senator FAULKNER—I think this is directed more to you, Minister, than to the department. I read an article in the Hobart *Mercury*—I suppose that is more a journal of merit, in your view, than the crikey.com web site?

Senator Abetz—Slightly; it is marginal.

Senator FAULKNER—This is about the alleged production of a leaflet or pamphlet about the film *Rabbit Proof Fence*. I wondered whether your department or office produced such a leaflet. Can you indicate whether or not that is the case.

Senator Abetz—Yes, my office did.

Senator FAULKNER—So that was funded by the Commonwealth?

Senator Abetz—Yes.

Senator FAULKNER—Do you know what costs were involved?

Senator Abetz—No, because it was done in house, in my electorate office.

Senator ROBERT RAY—That is the precise thing: it was done in your electorate office not in your ministerial capacity?

Senator Abetz—That is right.

Senator FAULKNER—It is an important distinction, I am sure you would appreciate.

Senator Abetz—Very important, and that is why I made that point. The MOPS Act looks after people's entitlements in their electorate offices as well, and that is why I made that distinction.

Senator FAULKNER—For interest's sake you might indicate to us how many of the things you produced and where they were distributed.

Senator Abetz—I am not going into that sort of detail, otherwise we can find out what estimates questions will be like.

Senator FAULKNER—You are not going into the movie review business as a general line of work?

Senator Abetz—No, but when you have a film, substantially funded by the taxpayer, which makes commentary on a certain aspect of Australian history and people approach your office as to your view of that film, then a convenient way of being able to respond to your electors is to, rather than write out individual letters, have a brochure available so that you can tell them what your particular view is.

Senator FAULKNER—My question really goes to whether the distinction was clear. You did this in your role as a senator for Tasmania as opposed to your role as the Special Minister of State?

Senator Abetz—Yes, that is right.

Senator FAULKNER—And that is quite clear?

Senator Abetz—Yes.

Senator FAULKNER—And was that clear in the leaflet?

Senator Abetz—Yes.

Senator FAULKNER—Fair enough.

Senator ROBERT RAY—Can I ask about the allocation of the negotiating team on staff salaries. I think I saw an email the other day that the team will consist of three Liberal, one National, two Labor and one Democrat. It does not seem proportional to me. Wouldn't a better allocation have been two Liberal, two Labor, one National and one Democrat? Why do the Liberals get three and Labor get two when you have your National Party allies there as well?

Ms Clarke—I can give you the breakdown and how it was arrived at. The ALP, when the staff numbers were taken in July, had 422 staff and were allocated two representatives at the table. The Liberal Party had 588 staff and were allocated three representatives at the table. Then the minor parties were examined and allocated. The Democrats and the Independents got one representative between them and the National Party got one.

Senator ROBERT RAY—Let us go over the figures again. Labor had how many?

Ms Clarke—Labor had 422 staff.

Senator ROBERT RAY—That is real easy. That is a ratio of 211.

Senator Abetz—211.

Senator ROBERT RAY—Senator Abetz and I are very quick on this. And the Nationals?

Ms Clarke—111.

Senator ROBERT RAY—We can say it was a 55.5 ratio. And the Democrats?

Ms Clarke—I have only got the combined figure for the Democrats and Independents, and that is 84.

Senator ROBERT RAY—And the Liberal Party?

Ms Clarke—588.

Senator ROBERT RAY—That is 196. So we have the worst ratio. I thought so.

Senator Abetz—And the Democrats got the best. Is that right?

Senator ROBERT RAY—And the Independents.

Senator Abetz—Yes, Democrats and Independents got the best.

Senator ROBERT RAY—Yes, I believe so. The Nationals are not far above them. As always, we got the wrong end of the stick. I thought it would have been done on the basis of members of parliament rather than on staff.

Ms Clarke—No, Senator, it was done on the basis of staff numbers at the time, because it was a staff committee.

Senator ROBERT RAY—I do not think it should be. I have a question that I have to preface by saying that I have noticed you have increased the relief staff budget and I have also noticed some of the other enhancements you made prior to the last federal election which were outlined in a letter to us. The one area that never seems to be looked at and that is starting to cause pressure here, especially in this financial year, is the staff travel budget. Most of us handed half of it back, as you know, and that is fine, that is good. Is it intended to review this again? I know it is normally said, 'Back in 1991, it was set at so and so,' but things change. Parliament is going to go through a very intense sitting period this financial year, one of the more intense ones, and I am wondering if it is possible for you to look at that travel budget to see whether it can be made just a little more accommodating?

Senator Abetz—I am happy to have a look at that.

Senator ROBERT RAY—Thank you.

Senator FAULKNER—The 15 minutes is up on the mobile phones, I think. It has been probably an hour.

Senator Abetz—I have been given notes.

Senator FAULKNER—Is Dr Watts going to deliver on that promise?

Dr Watt—I think we have delivered, Senator.

Senator FAULKNER—Excellent.

Senator Abetz—For Senator Minchin, there are 10 mobiles; for me, there are seven; and for Mr Slipper, the parliamentary secretary, there are three.

Senator FAULKNER—So that is 10 out of how many staff?

Senator ROBERT RAY—It is 9.6, plus 12, plus three for Mr Slipper. That is 24.6, and there are 20 phones.

Senator Abetz—Does that include DLOs?

Senator ROBERT RAY—There would be three or four DLOs on top of that.

Senator FAULKNER—And they would all have a mobile phone, wouldn't they, Dr Watt?

Senator Abetz—They would be in this figure, I would assume. No, DLOs are not included.

Senator FAULKNER—Dr Watt, did you give them a mobile phone?

Senator Abetz—So those figures are right—20 mobiles for 9.6 plus 12.

Dr Watt—Yes, Senator, DLOs would have mobile phones.

Senator FAULKNER—All of them?

Dr Watt—Yes.

Senator ROBERT RAY—Just going back to our other question, though, when was this material prepared for the whole of government question? Or, if you want to go back one step further, when was the department informed that this would be a whole of government answer?

Mr McAuley—We were advised on 31 July.

Senator ROBERT RAY—So 11 or 12 days after the question you were told that. You then had to gather the information that applied to you?

Mr McAuley—Yes, and that is readily at hand. It is very easy to compile.

Senator ROBERT RAY—I want to know when it was readily at hand.

Mr McAuley—We compiled it straightaway. It has not been provided yet. We were told not to at this stage, awaiting how the whole of government response would be answered.

Senator FAULKNER—Who told you that, Mr McAuley?

Mr McAuley—The parliamentary questions officer in PM&C.

Senator ROBERT RAY—Do you know who that is?

Mr McAuley—I do not have the name of the officer.

Senator FAULKNER—And he basically said, ‘Don’t answer the question’?

Senator ROBERT RAY—No, not to supply it, I think you said, didn’t you?

Mr McAuley—Correct.

Senator FAULKNER—Do not supply it to whom—your minister?

Mr McAuley—We have the information ready. When they ask for the information, we would provide it.

Senator Abetz—I have been advised that my office is the one responsible for the preparation of the whole-of-government response. So, with our previous answers, there may have been the view that it was PM&C. I have been advised that it is, in fact, in my office that the preparation of the whole-of-government response is being done.

Senator ROBERT RAY—Can you explain to us why the PM&C parliamentary questions officer would be directing or requesting the officer at the table and his associates not to answer the question yet?

Senator Abetz—I cannot answer that. You would have to ask that—

Senator ROBERT RAY—I am just making sure a mistake was not made. Now we have new information as to who is coordinating this.

Mr McAuley—I think that, because the question had been asked of all departments, a consolidated response was being considered.

Senator ROBERT RAY—Was being considered?

Mr McAuley—No, sorry. The question of doing a whole-of-government response was being considered. We could have normally answered the question but, because it had been

asked of all other departments, it made sense to do a consolidated response. I think that is the history of the preparation of the answer to the question.

Senator ROBERT RAY—It is not unusual for a whole-of-government response to an answer, but my question still is: on what date did you have your answer prepared, ready to go to whomever it was going to go to? How long did it take you, from the question being asked on 19 July to your establishing—let's say of just the 24.6 MOPS staff—how many had mobile phones? How long does it take you to accumulate that information as the first step in answering this question, either individually or as whole of government? When did you know?

Mr McAuley—We knew the answer to that question literally straightaway. We have a database with the records in it.

Senator ROBERT RAY—Exactly. So it does not take you long, does it? No other department, of course, has a similar database, I take it? It takes four months to get this information ready. When did you have it ready, because you had access to a database?

Mr McAuley—I do not have the exact date. It would have been days.

Senator ROBERT RAY—Within days. And then what happens? When you have it ready within days, what is the next step?

Mr McAuley—In the normal course, if we were answering the question, we would answer the question.

Senator ROBERT RAY—Okay. But this was not normal. What did you then do?

Mr McAuley—We have not provided the information at this point in time.

Senator FAULKNER—Not provided it to whom?

Mr McAuley—Not provided it to the people preparing the consolidated response.

Senator FAULKNER—And who are they?

Mr McAuley—I think the senator has just—

Senator FAULKNER—Him?

Mr McAuley—Minister Abetz.

Senator ROBERT RAY—But did you know that before? When did you know that the minister's office was preparing the coordinated response? Was it just when the minister told us that?

Mr McAuley—No. I think the original question was: who advised us that there was going to be a consolidated response? That was, as I answered, the parliamentary questions officer in PM&C.

Senator ROBERT RAY—We are with you that far, but when did you come to understand that it was the minister's office—your minister's office—that would be coordinating it? Was it only when it was announced here today?

Mr McAuley—No. Personally I was not aware that it was being coordinated in the office. It was when we checked the data that I was advised that it was being coordinated there.

Senator ROBERT RAY—Thank you. That now makes your answers consistent, but it was not clear. Minister, when did you understand for the first time that you were coordinating the answers to the question?

Senator Abetz—When it was just indicated to me—I was not aware.

Senator ROBERT RAY—So you have not had a chance to reflect on all of this—as to your role. You realise we could have got up in the Senate and demanded answers to all this. The 30 days has long since gone and you would have been ambushed by not knowing. We have assisted you yet again.

Senator Abetz—You are all heart. I have always said that about you, Senator Ray.

Senator ROBERT RAY—I know. When do you think we might have an answer?

Senator Abetz—I will not make a rod for my own back, but I would like to think that we could get that together shortly. I am not sure whether we have all the information together from the other departments as yet.

Senator ROBERT RAY—Yes, but there is this distinction: are other departments sending it directly to your office or are they going to send it directly to your department and, finally, are they all not sending it because of this PM&C questions officer sending out a directive? This is where the confusion is.

Senator Abetz—I would agree with you that there well may be a degree of confusion that needs to be sorted out. It ought to be relatively easy I think to get the information together and provide a whole of government response.

Senator FAULKNER—In relation to MOPS staff in DOFA, there are 24.6 MOPS staff in that portfolio. Is that right? I think I am right.

Senator Abetz—Yes.

Senator FAULKNER—And there are 20 mobile phones.

Senator Abetz—Yes.

Senator FAULKNER—There are also four DLOs I recall. Is that right, Dr Watt?

Senator Abetz—Four. Senator Minchin has two.

Senator FAULKNER—There are four DLOs in the portfolio. That is right, isn't it?

Senator Abetz—Yes.

Senator FAULKNER—All four of those DLOs have mobile phones.

Senator Abetz—Yes.

Senator FAULKNER—Do any of the MOPS staffers or DLOs have more than one mobile phone?

Mr McAuley—Not that I am aware of.

Senator Abetz—If they do then the chances are that one of those 24.6 is without one.

Senator FAULKNER—So that makes a total in the portfolio of MOPS plus DLOs of 24 mobiles out of 28.6 staff.

Senator Abetz—I think our maths agree.

Senator FAULKNER—What is the cost to the DOFA portfolio of these mobile phones?

Mr McAuley—Do you mean handsets only?

Senator FAULKNER—Total costs.

Senator Abetz—Capital costs and cost of calls?

Senator FAULKNER—Absolutely. You have the numbers.

Mr McAuley—We can pull that together for you.

Dr Watt—We can take that on notice.

Senator ROBERT RAY—These are an essential tool of the staffer, I would assume. You regard them as an essential tool for modern-day staff.

Senator FAULKNER—You would agree with that, wouldn't you, Dr Watt?

Dr Watt—Sorry?

Senator FAULKNER—Senator Ray has asked a very crucial question as to what an essential piece of equipment these are for MOPS staff in the modern era.

Senator Abetz—I am sure they would not be allocated if it was considered that they were superfluous to requirements.

Senator FAULKNER—Okay, so would you be surprised to hear that in relation to those working for ministers just in the DOFA portfolio there are the same number of mobile phones there as there are for the whole of the opposition?

Senator Abetz—Not quite true but very close.

Senator FAULKNER—Would you confirm that there are 24 out of 28.6 in the DOFA portfolio?

Senator Abetz—Yes.

Senator FAULKNER—Would you confirm that there is a grand total of 25 phones out of I think it is—

Senator Abetz—Yes. That is why I said it was very close.

Senator FAULKNER—seventy-six staff for the opposition.

Senator Abetz—Can I indicate to you that that is three and a half times as generous as what we as an opposition suffered in 1995?

Senator FAULKNER—Can I indicate to you in relation to the then Minister for Finance, have you checked the number of mobile phones that were applicable to ministerial staff then? Are you going to make that comparison? That is the point, Minister.

Senator ROBERT RAY—A different ratio.

Senator Abetz—Clearly different ratios apply but—

Senator FAULKNER—Yes, that is right.

Senator Abetz—It would be interesting to see what that allocation was.

Senator FAULKNER—I am happy for you to provide those figures but the truth is—let us be honest—we know the technology has moved on. You would accept that, wouldn't you, Minister? Most sensible people would. Would you accept that?

Senator Abetz—Yes, I do not think we would argue against the proposition.

Senator FAULKNER—Let us be honest. Mobile phones are an essential item of equipment for MOPS staff. You would accept that, wouldn't you? Or are they more essential for government MOPS staff than they are for opposition MOPS staff?

Senator Abetz—No. Not all MOP staff get phones, so be careful with your question, because not all of them get it. But, in general terms—

Senator FAULKNER—No. The vast majority of government MOP staff do.

Senator Abetz—In general terms, they are an important—

Senator ROBERT RAY—With respect, Minister, if you had not taken four months to answer the question, we would actually be able to have a more rational discussion as to exactly how many government ministerial staffers have them.

Senator Abetz—I think that point is a fair one and well made.

Senator FAULKNER—When are we going to get some equity between government MOP staff and non-government MOP staff? In this case, we are talking about opposition MOP staff, because I have got no idea what the situation is with the minor parties—I cannot comment; I can only comment about the opposition. When are we going to get some equity? As you know, I have tried privately to get this matter addressed. It is extremely unfair; it is grossly inequitable. When is it going to be fixed?

Senator Abetz—We continually review the situation as to equipment being made available and we will continue to do that. I simply remind you that when we were in opposition we had seven. You guys now have 25. So there has been an increase. Whether that increase is sufficient, that is something I am happy to look at.

Senator FAULKNER—Is there any capacity, Dr Watt, for the department to review the basis on which these mobiles are provided for MOP staff across the board, when such an unfair circumstance exists?

Dr Watt—I think if the minister would like us to review it, we would be happy to do so.

Senator FAULKNER—Good: there is an offer. Are you going to review it, Minister?

Senator Abetz—I said before that I would be happy to look at it—and I repeat that.

Senator FAULKNER—Yes, but I have been asking you to look at it for a long while, because it is grossly unfair. If you are going to say you are going to have a look at this in a serious way and try and address this anomaly, good. The truth is that this is an accepted item of equipment in the modern environment for political staffers and I think most people would acknowledge that. I do; I would be surprised if the government did not. A manipulation of the advantages that incumbency brings is just not appropriate here. If there is a historical problem which means that we have not brought this up to date, I would be willing to accept it. But it ought to be fixed, and it ought to be fixed quickly.

Senator Abetz—I have just been reminded—I could not remember whether I had done it once or twice—that twice since I have been minister, in a relatively short time, we have in fact increased the mobile telephone numbers allocated to the Leader of the Opposition's office. He then farms them out as he deems appropriate.

Senator FAULKNER—Yes, that is right. I respectfully suggest—

Senator Abetz—So talking about manipulation et cetera, there has been movement. The question is: has there been sufficient movement? And as I have indicated to you, I am happy to look at that position.

Senator FAULKNER—I respectfully suggest that the same proportionality that applies to government MOP staffers ought to apply to opposition MOP staffers, or other non-

government MOP staffers, for that matter. All I am saying is: get a fair and equitable basis for this, because this is a vital and essential element of equipment in the modern environment. I think most reasonable people would accept that. All I am saying is: make it fair. We all understand the huge advantage that incumbency brings, that the same proportionality in terms of—

Senator Abetz—Mr Chairman, Senator Faulkner has made his point a number of times.

Senator FAULKNER—Good, excellent: we will move on then.

Senator ROBERT RAY—Can I ask you—

Senator BRANDIS—Talking about tedious repetition.

Senator ROBERT RAY—Thanks a lot for that! That was a really helpful intervention! Have you got any more?

Senator BRANDIS—No; it was just a benign observation.

Senator ROBERT RAY—Let the record show that Senator Brandis is here and capable of claiming travel allowance. Thank you. You were asked questions of F102 to F106 about Mr Entsch's use of a helicopter. The answer came in as follows:

In accordance with usual practice when allegations about potential inappropriate use of entitlements are raised, the Special Minister of State is seeking further information from the Member concerned. It is therefore not appropriate to comment at this time.

Has there been any progress on this? Have there been any developments? Is it now appropriate to comment?

Senator Abetz—Yes. I wrote to the committee with a response. I trust the committee has received it. In fairness, I signed that off yesterday.

Secretary—I am not aware of it. It might be in my in-tray.

Senator FAULKNER—I certainly have not seen it.

Senator Robert Ray—I am only an arrogant participating member. I did not accept his claim that he was a humble member.

Senator Abetz—It seems to me that, if we do have a copy of it—

Senator ROBERT RAY—That would be handy.

Senator Abetz—I am sure Senator Ray would be happy if it was not a signed copy.

Senator ROBERT RAY—Yes, whatever.

Senator Abetz—I have been told it hit my office on Friday. I signed it on Monday.

Senator ROBERT RAY—We will have a look at it.

Senator Abetz—Suffice to say that there was advice received from the helicopter operator that the journey back to base was required and, as a result—

Senator ROBERT RAY—You picked up a few potatoes on the way.

Senator Abetz—I think it was very generous of Mr Entsch and should not have become the basis of unnecessary allegations and suggestions which have now been shown to be without foundation. But, of course, the sort of publicity that will be given to the fact that Mr Entsch is in the clear will not be the same as that given to the suggestions that he was not in

the clear. I say that not only about Mr Entsch but that happens to all of us when allegations are made from all sides of politics.

Senator ROBERT RAY—So we can add the *Sunday Mail* to the list of less than reliable sources, can we?

Senator BRANDIS—Senator Abetz, you will be reassured to know that Mr Entsch was lionised in the *Cairns Post* for his superabundant concern for his constituents.

Senator Abetz—That restores my faith in the media, Senator Brandis.

Senator BRANDIS—Particularly the *Cairns Post*.

Senator ROBERT RAY—I notice they did not lionise you.

Senator Abetz—I have a copy for distribution. Basically, it tells us that the department has undertaken inquiries in accordance with the established procedures that are followed when an allegation of misuse of entitlements is received. Following completion of these inquiries, I do not intend to take any further action in relation to this matter.

Senator FAULKNER—We have a copy of your unsigned and undated letter, Senator.

Senator Abetz—That is right. As I indicated to you, I signed it on Monday—and it is somewhere in transit to the committee. I am advised that that is a copy of the letter.

Senator FAULKNER—But this is the letter you did sign?

Senator Abetz—Yes. That is what I think.

Senator FAULKNER—And that you did date?

Senator Abetz—I did not date it. I assume the department has.

Senator FAULKNER—Can I ask where the answer to my Senate question on notice of 5 April 2002 in relation to travel undertaken in Melbourne between 1 October 2001 and 18 November 2001 is up to, please?

Senator Abetz—I understand we are still working on that answer.

Senator ROBERT RAY—Can I direct a question to Mr Edge, then. I asked a question on page FP&A389 about the expected date for finalisation. In answer to this question, Mr Edge answered, ‘About two more weeks,’ which would have taken it to the middle of June. What has intervened in the meantime to make it difficult to meet the timetable? I will not say that it was a promise you made, but it was indication that you made then.

Mr Edge—The work was undertaken, and the draft response has been provided to the minister for his consideration.

Senator ROBERT RAY—When was that done?

Mr Edge—I do not recall the exact date. It was sometime in June, I believe.

Senator ROBERT RAY—Where is the answer, Minister?

Senator Abetz—In my office, and consideration is being given to it.

Senator ROBERT RAY—Consideration from the middle of June, to the middle of July, to the middle of August, to the middle of September, to the middle of October, to the middle of November—is that what you are saying?

Senator Abetz—I think they are all the months between June and November—you have listed them correctly. Now that this has been drawn to my attention, I will see what we can do.

Senator ROBERT RAY—Why was it that we could predict in advance that we would not get an answer to this question, Minister? Why is this the one that was bottled up in your office for five months? We sat here across the table, negotiated our position down, changed the question to make it simple to be answered, protected privacy, and we are getting the high-hat—why?

Senator Abetz—That is not a question for estimates. What is a question is: where is it? It is in my office and I will seek to get an answer as expeditiously as possible.

Senator ROBERT RAY—It never occurred to you that we might want an answer before this estimates committee? We asked these questions in April on notice. There is a 30-day turnaround time. I concede that this is more complex than a lot of the questions. That is why we never raise this until at least after 60 days and, quite often, until after 90 days. But from April to November—over seven months—this question has been extant. From 30 May, the question was simplified at your request, and certain privacy matters were excluded.

Senator Abetz—Which I appreciate.

Senator ROBERT RAY—So when are we likely to get an answer?

Senator Abetz—I am not going to put a date on it, but as soon as possible.

Senator ROBERT RAY—There is an easy way and a hard way to do this, and I will demonstrate the hard way now. It is not a threat. I am just going to explain to you that there is an easy and a hard way of doing this, and you have picked the hard way. You are not going to like the hard way.

Senator Abetz—If there are no other questions, Acting Chair, can we move on?

Senator ROBERT RAY—We are not getting any answers, so that is not a problem.

Senator FAULKNER—Has the department sought any advice, Dr Watt, in relation to answering this particular question at all?

Ms Mason—I do not believe so.

Senator FAULKNER—Internally or externally?

Ms Mason—Internally we consult widely within the group when we are preparing answers to questions, to make sure that the answers are comprehensive and accurate. So no doubt there would have been consultation between the account management unit, for instance, and the service centre within the group who have the data that would have been used to compile a draft answer.

Senator FAULKNER—This question on notice raises the issue in relation to the numbers of staff employed under the MOPS Act who were paid travel allowance for stays in Melbourne during the period of the last election campaign and a range of issues in relation to whom the staff worked for, the dates for the claim of travel allowance, the rate of travel allowance paid, the dates of any flights that occurred during that period—which, of course, can affect entitlements—the numbers of staff claiming commercial accommodation and non-commercial accommodation and the names of hotels. In relation to those substantive issues, has advice been sought internally or externally by the department?

Ms Mason—We did consult with people about portions of the draft answer to ascertain their accuracy. When we are disclosing information about expenditure in relation to individuals, we normally attempt to verify that the information in our answers is correct, so

we did contact people outside of the department to seek their verification of components of the draft answer.

Senator FAULKNER—This is only individuals who may have claimed travel allowance. Is that what we are talking about?

Mr Edge—We would consult with the individuals involved and the officers involved to verify information.

Senator FAULKNER—And any others?

Mr Edge—Not that I am aware of.

Senator FAULKNER—Has any legal advice been sought about the question, in any sense, or the substantive issues raised in this question?

Mr Edge—Not that I am aware of.

Senator FAULKNER—Internally or externally?

Mr Edge—Not that I am aware of.

Senator FAULKNER—You would know, wouldn't you, Mr Edge, if that were the case?

Mr Edge—I should certainly know, and I have no knowledge of any legal advice being sought about the question.

Senator ROBERT RAY—Could I suggest that, as we have finished all elements of MOPS other than this one issue, we adjourn this matter and that we go on to the AEC. This matter will be raised at a private hearing of this committee that Senator Faulkner and I are requesting for 6.30, and we will take this particular matter further then. I do not see much point in keeping the Australian Electoral Commission hanging around for longer than necessary. We should be able to dispose of them by 6.30. We may not require the witnesses after eight o'clock in any event. I do not know; it depends on the deliberations of that committee. Does that suit you, Minister?

Senator Abetz—Yes.

Senator ROBERT RAY—I am not trying to keep you from getting a flight.

Senator Abetz—That has gone.

Senator ROBERT RAY—That is a goner?

Senator Abetz—Yes.

ACTING CHAIR (Senator Chapman)—The committee has advised that the Department of the Parliamentary Library will not be required later this evening, so those witnesses can be released. We will now move to the Australian Electoral Commission.

[5.43 p.m.]

Australian Electoral Commission

Senator ROBERT RAY—First of all I indicate that we have got 45 minutes. That does not mean you should stall your answers, because we could capriciously extend—and that is what we are aiming to do! How long do you have to be resident at an address to be eligible to go on the Commonwealth electoral roll?

Mr Becker—A month, and you must enrol within four weeks.

Senator ROBERT RAY—So you have to live there for a month and then you are given four weeks grace?

Mr Becker—It is 30 days; sorry.

Senator Abetz—It is 30 days as opposed to four weeks. There is not much difference but it is 30 days.

Senator ROBERT RAY—I thought it was 30 days too. Is it 30 days before you have to change your address?

Mr Becker—You must do it within that time.

Senator ROBERT RAY—And, when you leave that address, presumably you stay on the roll there until you have been living somewhere else for 30 days?

Mr Dacey—Until you establish an entitlement elsewhere.

Senator ROBERT RAY—So you are entitled to be on the roll for the 30 days you are missing because you are establishing yourself somewhere else?

Mr Dacey—Yes.

Senator ROBERT RAY—There used to be an offence in the Electoral Act if you enrolled falsely. Is that right?

Mr Becker—Make a false declaration?

Senator ROBERT RAY—Yes.

Mr Becker—Yes.

Mr Dacey—That is correct. It is now in division 137 of the Criminal Code.

Senator ROBERT RAY—Division 136 or 137?

Mr Dacey—False or misleading information or documents.

Senator ROBERT RAY—Does it come under 136(1) under false and misleading statements in application as well?

Mr Dacey—Yes, it could be as well.

Senator FAULKNER—How long has that provision been in the Commonwealth Criminal Code?

Mr Dacey—It is reasonably recently. It is in the last 12 months or so.

Senator ROBERT RAY—But it was in force in March this year, wasn't it?

Mr Dacey—That is correct. It came in in 2001.

Senator ROBERT RAY—Division 36(1)(b) says that a person is guilty of an offence if the person makes a statement, whether orally, in a document or in any other way, and the person does so knowing that the statement is (1) false or misleading and (2) omits any matter without which the statement is misleading. Is that right?

Mr Dacey—That is correct.

Senator ROBERT RAY—Who actually prosecutes when this occurs? Do you initiate the prosecution? How does it work?

Mr Becker—Offences so far under the Electoral Act and more recently under the Criminal Code are initiated through the DPP after we have referred matters to them.

Senator ROBERT RAY—If there has been a breach of the federal Electoral Act relating to this, you would refer it to the AFP, would you?

Mr Dacey—In normal circumstances, yes, we would refer it to the AFP for a brief of evidence which would then go to the DPP.

Senator FAULKNER—Has there ever been another process that you have adopted or have you consistently adopted that one?

Mr Dacey—It is consistently adopted: a brief of evidence first and then the DPP for prosecution.

Senator ROBERT RAY—I think it varies between Victoria and the other states as to what the joint roll arrangement is; could you explain this?

Mr Becker—We have a joint card arrangement with Victoria but they maintain their own set of rolls. On the other side of the coin, they have access to state instrumentalities and they pass on, electronically, the data they receive through, say, motor registration and so on to us and we do similarly with them.

Senator FAULKNER—Yes, but the joint roll arrangements are different in Victoria than they are in the other states.

Mr Becker—That is what I am saying. We have a joint card arrangement.

Senator FAULKNER—Can you just encapsulate, very briefly, what the difference is?

Mr Becker—Let us take New South Wales and South Australia as examples because they have joint roll arrangements. We are talking about a common roll except for the differences that occur between the entitlements to the franchise between state and Commonwealth. So we have a common roll, with some state electors only and some Commonwealth electors only. In the case of the Victorians, they maintain their own electronic mainframe based electoral roll—as do we.

Mr Dacey—We pass information between the agencies to update each other's rolls rather than the AEC maintaining the roll on their behalf. But we have a common enrolment card.

Senator ROBERT RAY—You cannot separately fill out either a Commonwealth or a state card?

Mr Dacey—No, you cannot. There is only one card for Victorian enrolment.

Senator ROBERT RAY—Yes, that is the point. It is a while since I have filled one out.

Mr Becker—But whoever receives it passes the data on.

Senator ROBERT RAY—So it would be best to describe it as a joint roll procedure.

Mr Dacey—Yes, call it a joint enrolment procedure rather than a joint roll.

Senator ROBERT RAY—What happens when it is drawn to your attention that someone has signed a false form on the Commonwealth side—I am not concerned about the state side because that is state business.

Mr Dacey—If we have some evidence, an allegation or a complaint that there is a possible offence of a false enrolment form then we would normally conduct our own preliminary inquiries first within the AEC. Then, as a matter of course, we would refer—as necessary—to the AFP to gather further evidence or we may, in some instances, go to the DPP first to see if they feel that there is any offence disclosed. So it would be to either/or DPP and AFP.

Senator ROBERT RAY—Have you referred the case of Dr Dean to the Federal Police?

Mr Becker—No, we have not, as yet.

Senator ROBERT RAY—Have the details of that been brought to your attention?

Mr Dacey—The details inasmuch as we have been able to ascertain from the Victorian Electoral Commission—as you could understand, the electoral commissioner in Victoria is quite busy at the moment—and the details as we read in media reports. We only became aware of that when that news broke in the media last week. As I said, we conduct our own preliminary inquiries first. But we are certainly considering what action we need to take.

Senator FAULKNER—What official contact have you had from the Victorian Electoral Commission in relation to matters pertaining to Dr Dean?

Mr Dacey—I personally have spoken to the Victorian electoral commissioner on the issue of Dr Dean. Some of our staff in our Melbourne head office would have spoken with staff in the Victorian Electoral Commission. I have spoken to Mr Barry, the Victorian Electoral Commissioner.

Senator FAULKNER—Can you explain to the committee, Mr Dacey, the thrust of the content of that discussion with the Victorian electoral commissioner?

Mr Dacey—Yes. The main content of my discussion with the Victorian electoral commissioner was to make sure that media reports we had received of how our office in Melbourne was advised of the return to sender mail issue with Mr Dean were, in fact, correct. I have spoken with Mr Barry about his procedures and about how he advised the AEC that he had had mail returned unclaimed from Dr Dean.

Senator FAULKNER—Can you explain to the committee what you have been able to establish as a result of your communication with the Victorian electoral commissioner?

Mr Dacey—I have been able to establish that, as a result of the state redistricting in Victoria, that the state electoral commission sent official mail to all electors in that state advising electors that there had been a redistricting and of their new state district if they had been moved.

Senator ROBERT RAY—Correct; I got one.

Mr Dacey—That went individually addressed to all electors, and the letter that was sent to Dr Dean was returned unclaimed, with an official Australia Post stamp ‘No longer at this address. Return to the Victorian Electoral Commission’. That was in August that that mail went out. As a result of that, the Victorian Electoral Commission advised the AEC in September, through our electronic data exchange, that as a result of that mailout a group of electors were now flagged for possible objection action as no longer resident at that address. Dr Dean was one of those, and the AEC subsequently sent an objection notice at the end of September to Dr Dean at the address in Berwick.

Senator ROBERT RAY—Who sent it?

Mr Dacey—The AEC sent the objection notice on the advice from the VEC that they had returned unclaimed official mail.

Senator FAULKNER—Which is your standard procedure in these circumstances?

Mr Dacey—It is absolutely standard procedure.

Senator FAULKNER—And that communication is sent from the AEC's chief electoral officer in Victoria, or under the name of—

Mr Dacey—The objection notice is sent from the divisional returning officer.

Senator FAULKNER—From the divisional returning officer?

Mr Dacey—That is correct.

Senator FAULKNER—And processed in the divisional office?

Mr Dacey—That objection notice was returned to the AEC unclaimed—to the division of La Trobe—and the subsequent determination notice of removal from the electoral roll was sent by the divisional returning officer for La Trobe.

Senator FAULKNER—Are you aware, in this particular case or in terms of the standard procedures that would apply, of any doorknocking—it sometimes takes place; I am not clear if it would have in this situation—either by the VEC or the AEC?

Mr Dacey—I am certainly not aware of any doorknocking by the VEC. As far as I am aware, the VEC does not undertake doorknocking, but I cannot confirm that exactly. In terms of the AEC, I know that we did some mail review and follow-up of certain residences in Victoria. In June 2001 there was a target review done, which was a doorknock, of 9 Stewart Street, Hawthorn, in Victoria, but the result of that was that there was no contact made at that house.

Senator FAULKNER—And that is recorded in your AEC files, obviously?

Mr Dacey—That is correct.

Senator FAULKNER—I assume that would be held in the divisional office—would that be right?

Mr Dacey—Yes, it would be held in the divisional office, but it would also be held centrally on our database.

Senator FAULKNER—In June 2001?

Mr Dacey—That is correct. In relation to the address in Gardiner Street, Berwick, there was what we call a 'vacant mailing address' done—my understanding is that was in July of this year—where we mail to residences on the electoral roll where we have no electors enrolled or we have some other evidence. But I would need to follow that up in more detail.

Senator ROBERT RAY—You say you do that but, if you look at Dr Dean's enrolment—I do not want to identify the address—between 23 October 2001 and 21 March 2002 and you look at that address, no-one appears on the roll for the previous five years for that address. Wouldn't that have been one of the ones—

Mr Dacey—Which address?

Senator ROBERT RAY—I do not want to reveal the address, I am sorry. Let us say—

Senator FAULKNER—Mr Dacey already has.

Mr Dacey—Sorry, I have because it is public information.

Senator FAULKNER—I am not critical of that.

Senator ROBERT RAY—Can I just say 'the Hawthorn East address' as a better way of approaching it? No-one is shown on the roll there for the previous five years until Dr and Mrs

Dean suddenly appear for that period. I wonder why the technique of writing to residences where no-one is on the roll had not picked that up in the previous five years.

Mr Dacey—That technique was not used by the AEC in those previous five years.

Mr Becker—That was not part of the CRU.

Senator ROBERT RAY—So it is really part of the CRU?

Mr Dacey—That is right. In previous times it would have been part of the two-yearly doorknock.

Senator ROBERT RAY—But there would have been a habitation review in Kooyong between 1996—

Mr Dacey—Yes, there would have been.

Senator ROBERT RAY—So it just was not picked up?

Mr Dacey—Either no contact was made or it was not picked up—that is correct.

Senator FAULKNER—I was just asking about the ‘vacant mailing address’. In layman’s language, this could be described as the AEC having a street order roll, and you are able to identify particular residences where you would expect enrollees and they do not exist. Is that a reasonable layman’s way of describing the process that the AEC undertakes?

Mr Dacey—That is correct.

Mr Becker—They could be occupied, but not by Australian citizens or people on the roll.

Senator FAULKNER—That is right, Mr Becker. Of course they could be occupied, and I suspect most of them are, but the point is they are not occupied by people who are on the electoral roll.

Mr Becker—That is right.

Mr Dacey—That is what we refer to as vacant addresses—vacant in terms of people being enrolled there.

Senator FAULKNER—Having established those facts with the Victorian Electoral Commissioner in your conversation with him, Mr Dacey, what was the follow-through or outcome of those discussions?

Mr Dacey—That was only earlier this week, Senator. Certainly the AEC is considering further its position. The Electoral Commissioner for Victoria, Mr Barry, has also stated, I think publicly, that he will not be referring any matters on elsewhere until post polling day. I have talked about that with Mr Barry and we may take that same view, the polling day being only 10 days away.

Senator ROBERT RAY—If you were in the unfortunate position of Dr Dean, could you be massively disadvantaged by the Victorian arrangements as compared with elsewhere? Could you, because of the joint card arrangement, be prosecuted twice—

Mr Dacey—Yes, it seems likely.

Senator ROBERT RAY—whereas in any other state you would only be prosecuted once?

Mr Becker—That is one of the concerns that we have.

Mr Dacey—No, you could be prosecuted twice—

Mr Becker—Well, two offences.

Mr Dacey—with offences under state and Commonwealth law in any state.

Mr Becker—But you would not be prosecuted for two false declarations. It is the same false declaration.

Senator ROBERT RAY—That is what I mean. It is not double jeopardy, but it could disadvantage you. Under those circumstances—

Mr Becker—You would work in conjunction with the other agency.

Senator ROBERT RAY—You would only have one charge, if it was warranted. I am glad you have cleared that up because there are a couple of disreputable things and especially one organisational web site, which Senator Abetz hates, which has had his own supporters writing in saying that Dr Dean was specifically targeted for removal from the roll. From what you have said, it was just a part of the normal process.

Mr Becker—Absolutely.

Mr Dacey—It was part of a standard ‘objection batch’, as we call it. Quite obviously, from the Victorian Electoral Commission mailout to all electors quite a lot of mail comes back unclaimed or ‘persons no longer at this address’.

Senator FAULKNER—But you can guarantee this committee, from your independent position in the AEC, that there was definitely no targeting of Dr Dean?

Mr Becker—Absolutely. The first I heard was in a cab on the way to the airport on Friday.

Senator FAULKNER—I think it is important, Mr Becker, that you make this clear to the committee.

Mr Becker—There was certainly no targeting whatsoever. As I said, the first I heard of it was when the cabbie told me at about 3 o’clock on Friday afternoon when I was going out to Tullamarine.

Senator FAULKNER—Are you absolutely satisfied, Mr Becker, that Dr Dean’s enrolment problems are as a result of the processes of the electoral law and that at no stage was there any inappropriate process other than the standard operating procedure of the Victorian Electoral Commission, which you cannot speak definitively for, and of the Australian Electoral Commission, which you can speak definitively for?

Mr Becker—We can say definitively that the AEC did not target Dr Dean. I would consider it most unlikely that the Victorian Electoral Commission targeted Dr Dean. It is just not the practice in this country.

Senator ROBERT RAY—We have a precedent, don’t we?

Mr Becker—Sorry?

Senator ROBERT RAY—We have a precedent for knocking candidates. Wasn’t Mr Jeff Kennett’s former press secretary, Mr Stephen Mayne, barred from running against Mr Kennett in the 1999 state election because he was not properly on the roll? Do you recall that one?

Mr Becker—I am not aware of the issue.

Senator Abetz—That would be a state one.

Senator ROBERT RAY—He was living in Sydney, so he was on a Sydney roll. So I hope he is not preaching to anyone about any of this stuff. I have been looking at Dr Dean’s enrolment history and, between 21 September and 22 June 1998, he was enrolled in a

Berwick address, but then he is missing on the roll until 3 December. In other words, between 22 June 1998 and 3 December 1998, he was not on the electoral roll. Indeed, he did not even vote for your federal colleagues, Minister, in that election—that is quite obvious—because he was not on the roll. What happens when someone suddenly turns up after what was in this case a six-month gap? What are your procedures to deal with someone like that?

Mr Becker—We just enrol them; we do not prosecute. We are just keen to get them back on the roll.

Senator FAULKNER—Because of the notoriety of this issue, have you—the AEC—checked the enrolment history of Dr Dean?

Mr Becker—Yes, we have.

Senator ROBERT RAY—Am I right that he was—

Senator FAULKNER—Are you able to say, then—

Mr Becker—Mr Dacey has the detail.

Senator FAULKNER—I know, but we do not have that in front of us. I understand you are pointing to a document, but I do not have it. Can I go back to Senator Ray's question. Let me ask it in a slightly different way. Can you confirm whether or not Dr Dean was enrolled at the time of the last federal election?

Mr Becker—I am sure we could confirm that, but it may not be on this document.

Senator FAULKNER—That is why I asked you whether you checked his enrolment history.

Mr Becker—No, we have not.

Senator FAULKNER—I am sorry, you just told me you did.

Mr Dacey—Dr Dean was on the Commonwealth electoral roll at the time of the last federal election.

Senator FAULKNER—In what electorate?

Mr Dacey—In the electorate of Kooyong.

Senator ROBERT RAY—If I am right, he would have availed himself of enrolling after the issue of the writs and before the rolls closed. Is that right?

Mr Dacey—It would have been very close to that.

Senator FAULKNER—That is a good document, Ms Mitchell. That one is a good ready reckoner. I think it is terrific; I am serious.

Senator ROBERT RAY—We should have these dates in our head, but we do not.

Senator FAULKNER—But I am pleased to see that those from the AEC do not have them all necessarily in their heads, either. We do not feel so guilty.

Mr Becker—When you have a document—

Senator ROBERT RAY—I am pretty certain I am right; 19 days. Or am I?

Mr Dacey—I cannot remember when close of rolls was.

Ms Mitchell—I thought it was 18 October.

Senator ROBERT RAY—That sounds right to me. It is proving too hard; I just wondered if he had or had not availed himself.

Mr Dacey—I think, Senator Faulkner, you asked which electorate Dr Dean was enrolled in at the close of rolls. If the close of rolls was 15 October, he was enrolled in the division of La Trobe.

Senator ROBERT RAY—So he was in the marginal seat of La Trobe and he had lived at Hawthorn for the last five years.

Senator FAULKNER—So, in your enrolment history, prior to the date when, as a result of continuous roll updating, Dr Dean's name was removed from the roll—we do have that date, don't we, Mr Dacey?

Mr Dacey—Yes, we do.

Senator FAULKNER—Can you tell us that date?

Mr Dacey—Dr Dean was deleted from the roll on 24 October, 2002.

Senator FAULKNER—Prior to that, did he have continuous electoral enrolment?

Mr Dacey—There have been some gaps.

Senator FAULKNER—There have been gaps?

Mr Dacey—Yes, there have.

Senator FAULKNER—Are you able to outline the enrolment gaps for us?

Mr Dacey—There is a gap between October 1989 and April 1990 and a gap between June 1998 and October 1998. That is it.

Senator FAULKNER—And a gap from 24 October until when?

Mr Dacey—I am not sure whether we have received a subsequent claim.

Senator FAULKNER—Each time there is a gap, the appropriate enrolment procedures have to be followed by any individual—Dr Dean or anyone else for that matter—to ensure re-enrolment.

Mr Dacey—That is correct.

Mr Becker—That would have been, largely, doorknocks to get that procedure going in those days.

Mr Dacey—Prior to 2001, it would have been self-initiated or doorknocked rather than continuous roll update initiated. Mr Chairman, if I may, I will correct in terms of dates for enrolment. Under section 99, you must have lived at an address for one month to have an entitlement—we were right there—and, under section 101, you must re-enrol within 21 days.

Senator FAULKNER—But it is quite clear that, from October 1989 to April 1990, Dr Dean was not enrolled. That is correct, isn't it?

Mr Dacey—That is correct.

Senator FAULKNER—From June 1998 to October 1998 Dr Dean was not enrolled?

Mr Dacey—That is correct.

Senator FAULKNER—And from 24 October 2002 to some stage during this recent period there is another gap of enrolment, which may have been addressed in recent times?

Mr Dacey—I am not sure of that, Senator.

Senator FAULKNER—I appreciate that because of the notoriety of this particular issue. So can we say there is a pattern of non-enrolment?

Mr Dacey—There are those two periods.

Senator FAULKNER—Three periods, with respect.

Senator ROBERT RAY—This is a hard one for you to answer but, when you are considering recommending a prosecution, do you take into account that there was no intention by Dr Dean to actually rot the electoral vote? It is quite plain to all of us—it is very similar to Queensland—that an internal, political arrangement led to this and he was not trying to get extra votes in the electorate of Berwick. Do you take that into account when you are making a reference or talking to the DPP or someone like that?

Mr Dacey—It is certainly not something that the AEC normally would discuss. It would be a matter the DPP may well take into account though.

Senator ROBERT RAY—You clearly would hand over the newspaper file in which virtually everyone has agreed on this point.

Senator FAULKNER—I would have thought it would be very hard for you to judge motivation, Mr Dacey.

Mr Dacey—We look at the facts or we look at the allegation. That is as far as we take it.

Senator FAULKNER—Exactly. I understand why Senator Ray makes the point, and I think most of us would accept that. Those of us in the political arena understand what might occur internally in a political party—and, of course, the Victorian Liberals are specialists—but the AEC cannot judge motivation, can it?

Mr Dacey—It is not our business to do so, Senator.

Senator FAULKNER—I just thought I would get that in.

CHAIR—You could not help yourself!

Senator ROBERT RAY—Could I just ask one other question on this? We know also that a big problem point for Dr Dean, as evinced in the press, is that in nominating he signed a declaration that in fact he was correctly enrolled at that address. Is there a similar provision in the federal act, to say that you are an Australian citizen et cetera? Do you actually have to sign something to say—

Ms Mitchell—You have only to be entitled to enrolment for a federal nomination.

Senator ROBERT RAY—As opposed to actually being enrolled.

Mr Dacey—Yes. The state of Victoria has changed the law to make it a requirement to actually be on the roll to nominate.

Senator ROBERT RAY—Do you actually check candidates as to their eligibility, or do you take eligibility in that they are a citizen and therefore they go on?

Mr Becker—We do not go behind the nomination at all.

Senator ROBERT RAY—So you wait for someone to challenge you?

Mr Becker—Yes.

Mr Dacey—For example, if a person is nominating a candidate—particularly an independent candidate—the requirement is that they have to be enrolled, so we certainly check their enrolment. Where there is a requirement to be enrolled, yes, we would check.

Senator ROBERT RAY—Let me give you this scenario, just as a last question on this area. An independent or ratbag candidate is not eligible—right? We in all good faith go through the election process. It is found out afterwards that the person is not eligible. It goes to the court of disputed returns. The result is knocked over and we are half a million in the hole for the by-election. That is half a million each between the parties.

Mr Becker—That is the cost of running the by-election.

Senator ROBERT RAY—It would be the taxpayer with public funding and everything else. We will take it up elsewhere. Maybe the Victorians have got it right in terms of the fact that you have to be on the roll. It might save a lot of problems down the track if you were required to check it, which would not take you that long, would it?

Mr Becker—Being on the roll somewhere would be okay. It does not have to be in the electorate for which they are standing.

Senator ROBERT RAY—No, somewhere in Australia.

Mr Dacey—If that was a requirement it would be just a processing task for us to check.

Senator ROBERT RAY—We will take it up in another area because I think it is of mutual interest.

Senator FAULKNER—Just very briefly before we leave this area, Mr Becker, could you just outline—if you are able to—the next steps in relation to the Dr Dean case?

Mr Becker—As Mr Dacey said, we will be discussing this with Colin Barry, the Electoral Commissioner from Victoria. We will have our discussions with him and then we will obviously decide whether we go together or we go separately in terms of looking at any further investigation by handing it over to the AFP or the state police. I believe it would be quite silly for us to go twice on the same issue.

Senator FAULKNER—It is open to either jurisdiction if it wants to take that action. You refer it to either the state or federal police. Is that what you are saying?

Mr Becker—Yes.

Senator FAULKNER—So it is open to either electoral commission?

Mr Becker—Yes, it seems that way.

Senator FAULKNER—Are you saying to us—which is not unreasonable, but I want to be clear on this—that while you may give this consideration, you are unlikely to make a decision about this until after the Victorian election is over. I think that is the general thrust of what you are saying; I want to be clear on that.

Mr Becker—Yes, that is right. That is really in some respects I suppose Colin Barry's call because it is his election, his elector, his candidate and he has some other things to do.

Senator FAULKNER—I think that makes good sense in terms of trying to make the decision in a measured way and to the extent it is possible—I accept it is difficult—in as non-political an atmosphere as you can. Obviously after the election is better timing than before. That is understood.

Senator ROBERT RAY—Do you have observers down there watching for both good and bad points in the Victorian election—

Mr Becker—We will have.

Senator ROBERT RAY—such as the issuing of wrong ballot papers? This has already occurred in at least one electorate that I know of. They had just totally the wrong ballot papers. Are you down there looking at those things to learn lessons?

Mr Dacey—We are certainly looking at any initiatives that Mr Barry is using in the election. You may know that he has had some legislative change, one of which we have just spoken about. He is particularly looking at the electronic or IT initiatives. We do not observe as to whether or not he is making errors, but we will have people on the ground looking at what is happening.

Senator FAULKNER—Can I ask you how you were informed that the 2001 federal election was called?

Senator ROBERT RAY—Can I say that we are going to have other witnesses before us later tonight to pursue this?

Mr Becker—Okay, sure.

Senator ROBERT RAY—I know I have been handling it with you.

Mr Becker—The first information we had was when our then director of information received a call from Media Monitors telling us that the Prime Minister's car was in Dunrossil Drive. That is fine; I have no objection to that.

Senator ROBERT RAY—But then you made further inquiries, didn't you?

Mr Becker—That is right.

Senator ROBERT RAY—Tell us what happened.

Mr Becker—Following that, I said, 'Are we going to get something in writing?' And I got a copy of the press release. But this is no different from the way it has happened before, I have got to say.

Senator ROBERT RAY—I understand that.

Senator FAULKNER—Who did you get the press release from?

Mr Becker—From PM&C.

Senator ROBERT RAY—I asked you that question on notice in another place. You could well have answered it and it has passed me by.

Mr Becker—We cannot be sure; just an officer.

Senator FAULKNER—Anyway, you heard about it—

Senator ROBERT RAY—Hold on: you were asked at another committee and you took the question on notice. Surely someone is working on it to give me the answer. I just presumed I had missed it when you sent it, because this was weeks ago.

Mr Becker—The process?

Senator ROBERT RAY—No, about who gratuitously sent you the press release about the election rather than properly informing you?

Mr Dacey—I have just been informed that it may well be in a subsequent submission to the JSCEM, but I am not sure.

Senator ROBERT RAY—That is fine, but this is another committee. I am not going to have PM&C before me at the joint committee; I am going to have them here tonight at eight o'clock. That is why I want to know who did this.

Mr Becker—It would have been from the area that Barbara Belcher is in. But Shawn O'Brien, our—

Senator FAULKNER—Government division, you mean?

Mr Becker—Presumably.

Senator FAULKNER—Or what used to be called government division. God knows what it is called now: outcome something or other or output something or other I suppose.

Mr Becker—One of our officers rang PM&C and said, 'When are we going to get some advice?'

Senator FAULKNER—Outcome 4 it probably is called now, which is code.

Mr Becker—And that was the advice that we got.

Senator ROBERT RAY—What we are more interested in, Minister, is—no matter what the practice has been for 20, 30 or 100 years—actually getting a proper process of notification.

Mr Becker—That is what we are trying to do now with PM&C.

Senator ROBERT RAY—That is, until we can track back who did this and make a suggestion that they look at it.

Mr Dacey—Just to add to that, Mr Becker has recently formally written to that branch in PM&C requesting that officers of both agencies meet to resolve these issues for the future.

Senator ROBERT RAY—Good idea.

Senator FAULKNER—Now things are pretty tough budget-wise for the AEC, aren't they, Mr Becker?

Mr Becker—It is not looking too good this year, but we will survive.

Senator ROBERT RAY—How many efficiency dividends have you had to pay over the last 12 years? Make it six years Labor and seven years Liberal or make it even, if you like.

Senator FAULKNER—It is very appropriate that the secretary of the department of finance should come to the table when the words 'efficiency dividends' are spoken.

Senator Abetz—Exactly.

Senator FAULKNER—It is an oxymoron if I have ever heard one, but go on.

Dr Watt—I actually disagree with that.

Senator ROBERT RAY—I am sure you do.

CHAIR—Good on you, Dr Watt.

Senator FAULKNER—You have not had to survive the lectures we have had to from some of your predecessors, Dr Watt.

Dr Watt—I can remember the—

Senator FAULKNER—Both in government and in opposition.

Dr Watt—I was going to say that I remember the formula of the efficiency dividend. Dr Michael Keating used to give me lectures on it when he was in the Department of the Prime Minister and Cabinet. I have had due experience.

Senator ROBERT RAY—The question, Dr Watt or Mr Becker, is: how many efficiency dividends has the AEC had to pay? The purpose of the question is quite obvious: for a small agency, there comes a point at which you can squeeze no more out of it. For a very large agency or for a big service delivery area, they find it a little easier to squeeze out savings. The AEC has certain legislative impediments to the way it disperses its staff through 152 offices in Australia.

Dr Watt—I will answer the general question and leave Mr Becker to talk about the AEC in particular. The distinction is often drawn between small agencies and big agencies and their ability to handle the efficiency dividend. I have never been persuaded that there is any real distinction unless you get down to a very small agency. For example, I am prepared to admit that the Inspector-General of Security, Bill Blick, with an office of between three and four people—I can never remember which—does find it increasingly hard to find things for the efficiency dividend. But once you get above a certain size then I do not see any reason why an agency of 200 or 300, for example—I do not know the size of the AEC—leaving aside any peculiarities the agency might have, might find it harder than an agency of 10,000 or 15,000. This is a discussion I have had with Michael Carmody from time to time. He assures me that he finds it hard to meet the efficiency dividend too.

Senator ROBERT RAY—The second part of this is if you have an organisation that has to find an efficiency dividend and does so for 10 years. Is there a point, though, that having found it 10 years in a row it just becomes too hard? That is my point.

Dr Watt—I think that you are right. Over a period of time it gets harder to find what I call hollow logs. If you like, the inefficiencies that were there at the start of the 10 years have, presumably, been reduced or washed out of the system after a period of time. The efficiency dividend does more than that. What the efficiency dividend says to you is that public sector managers are expected to find ways of managing better to gain efficiencies. The rate of productivity growth in the Australian economy is some two per cent currently. I am not suggesting it is easy to find gains of that level in the public sector, but there are ongoing dynamic efficiency gains that can be harvested and this is an incentive for the budget to see that they are harvested.

Senator ROBERT RAY—I agree, but don't they also have to drive productivity to fund pay rises at the same time? You are getting a twin axis going here.

Dr Watt—Remember there is a wage cost index supplementation which does provide some significant supplementation for pay rises. It is not complete. But you are right: there are two sources of efficiencies that public sector managers are expected to make, and as a public sector manager I do not say it is easy—I do not say Finance finds it easy. I acknowledge the challenge and many of my fellow portfolio secretaries tell me regularly what a challenge it is.

Senator FAULKNER—It is a real challenge for you, Mr Becker.

Mr Becker—It is a real challenge for the AEC, and that is because we have 150 of these inspector-general offices stuck around the country, all of which have a level of ownership by a person within this parliament. When we talk about trying to restructure we get very

reactionary responses. What efficiency dividends we might want to get as an agency we cannot deliver because people want the structure that we have got, which is highly inefficient. It is not like having 800 people in one building. We have got 800 people in 160 buildings.

Senator ROBERT RAY—Where is it written in the Electoral Act that parochial members of the House of Representatives can dictate the way you run your affairs?

Mr Becker—That is not written in the Electoral Act but it is written in the Electoral Act that there shall be an office for each division, and we have 126 members of this parliament who change the act.

Senator ROBERT RAY—But you do not get representation from senators about the location of electorate offices.

Mr Becker—No, we do not. They have less of an interest.

Senator ROBERT RAY—We are much more avuncular, aren't we?

Mr Becker—That is right. But if we had someone from the other place here, then they might have a different point of view.

Senator ROBERT RAY—We do not have any self-interest.

Senator FAULKNER—Where are the savings coming from at the moment, Mr Becker?

Mr Becker—The savings at the moment are coming from shedding staff on an attrition basis. That is how far we have gone at the moment. We are not going too far down the track at present as we are still conducting an output pricing review and we are doing that in conjunction with officers from DOFA. That should be finished early next year, and then we will know where we are going for the out years thereon in. On the other side of the coin, we are still looking at rationalisation to some extent.

Senator FAULKNER—Collocation, you mean?

Mr Becker—Yes.

Senator FAULKNER—Any scheduled collocations in the near future?

Mr Becker—We will be looking at it as the terms of the lease agreements fall due to see where we can put people together. Mind you, one of the problems that we have is that we are not entirely comfortable with this, because the act really does not contemplate that we would be co-locating offices for the purposes of trying to get a more efficient organisation. It really is to cope with changes that might occur to boundaries that put a divisional office outside of its current position. We are a little bit concerned about that side of things, that we are probably using a part of the act for an ulterior purpose.

Senator FAULKNER—What about SES staff bonuses? They have not suffered at all, have they?

Mr Becker—Yes, they have. Mind you, I still believe that, if we are going to have that system and if people have an expectation at the start of that system that there shall be a bonus system and they have an expectation as to how those bonuses should be paid, then they should be paid. The situation that we are finding ourselves in is not predicated on whether we pay senior executive bonuses.

Senator FAULKNER—Can you give me some detail of the payment of staff bonuses of SES level officers in the AEC?

Mr Becker—I can, Senator, but there are some notes—

Ms Davis—Senator, that information would be confidential information on an individual basis.

Senator FAULKNER—No, it wouldn't. I am not asking for the names; I am asking for the broad picture.

Mr Becker—Not the individual names, but did you want the individual bonuses?

Senator FAULKNER—No, I am asking for the broad picture. You have got a ratings system.

Senator Abetz—The total amount of bonus paid is—

Mr Becker—In the main, between five and 10 per cent of salaries, of TRP.

Senator FAULKNER—The chair is about to call a break; I am sure we are all very grateful. I am interested in the pattern in relation to bonuses. I do accept that there are privacy concerns here. I would be interested in the rating system, how it is applied and the like. Some information on that sort of pattern would be appreciated. I want to flag that with you if I can.

Mr Becker—Do you want it on notice then, Senator?

Senator ROBERT RAY—We are coming back after 8 p.m., unfortunately.

Senator FAULKNER—There are also a couple of staff issues and one party registration issue.

Proceedings suspended from 6.32 p.m. to 8.04 p.m.

Senator ROBERT RAY—I understand that Senator Brandis has a few questions to ask.

Mr Becker—Senator Faulkner wanted answers to a couple of questions.

Senator ROBERT RAY—He is currently assisting AFP Commissioner Keelty with his inquiries.

Mr Becker—In terms of the efficiency dividend, we do not know how long we have been paying an efficiency dividend but prior to 1994 it was 1.25 per cent. Since 1994 it has been 1 per cent. On the actual rating for performance bonuses within the executive of the AEC, we are working on the Remuneration Tribunal guidelines and the rating is from one to four—which is from outstanding to unsatisfactory. The percentage that we paid this year was between zero and 10 per cent.

Senator ROBERT RAY—I think we will follow that up at the additional estimates round.

Mr Becker—Okay.

Senator ROBERT RAY—Could I ask you a completely separate question. If a QC or senior counsel does pro bono work for a party by representing them in a court case, and it would be assessed as worth \$10,000 to \$15,000, is that declarable under the Electoral Act?

Ms Mitchell—On the face of it, the answer to that would appear to be yes. We would have to look at it more closely to determine whether it was the party which had received the gift in kind. But, if there is a gift in kind, yes, it is declarable.

Senator ROBERT RAY—Let me be more specific. Let us say that the senior counsel or QC represented a political party at its deregistration proceedings.

Senator Abetz—Just a hypothetical.

Senator ROBERT RAY—I was going to get to an actual case in a moment.

Senator Abetz—You surprise me!

Senator ROBERT RAY—I would prefer to get the general ruling rather than be specific.

Senator Abetz—I understand that.

Senator BRANDIS—How appropriate that this question should be asked by a member of the Victorian right-wing faction of the Labor Party, Senator Ray.

Senator ROBERT RAY—And proud of it.

Ms Mitchell—In general, yes.

Senator Abetz—Is it appropriate for a minister to ask a question?

Senator ROBERT RAY—Yes.

Senator Abetz—Just out of interest, what happens if you are—and I am just thinking about this as it arises—a party member and you give legal assistance to your party by serving on a Constitution review committee or something like that using your legal expertise?

Senator ROBERT RAY—Did you ever charge, George?

Senator BRANDIS—No, I never charged—except when we won costs, in which case we got them from the Labor Party.

Senator ROBERT RAY—Do you really want to pursue that?

Senator Abetz—No, it was just a rhetorical question.

Senator ROBERT RAY—The iron law of politics is that you never go to your own side to be represented; they will let you down every time. Where is the case about deregistering the DLP up to?

Senator Abetz—On appeal.

Ms Mitchell—The DLP have lodged an appeal against the decision. The court handed down a decision and the DLP have appealed.

Senator ROBERT RAY—So it is on appeal.

Senator Abetz—I think it has a date set in March, is that right?

Ms Mitchell—February or March, yes.

Senator ROBERT RAY—If it is on appeal, we will let it go. Senator Brandis, I think you had some questions.

Senator BRANDIS—I have a couple of questions to ask you, Minister. My attention has been drawn to an article written by a gentleman called Tony Harris in the *Australian Financial Review Magazine* dated October 2002. The article is entitled ‘Singular Vision’. Are you familiar with that article?

Senator Abetz—Yes, I am.

Senator ROBERT RAY—You gave it to him before.

Senator BRANDIS—The article makes an allegation. It says:

... in 2001, before the federal election, Cabinet considered who should administer the electoral legislation in each state and the Northern Territory.

Is that allegation correct, and would you like to comment on it?

Senator Abetz—I am not a member of cabinet, but I doubt that they would have done that, because all those positions were not vacant. Four positions were vacant, by effluxion of time, for reappointment or appointment, and four appointments were made in the normal course of events. So the assertion that there were seven is just false and wrong.

Senator BRANDIS—Mr Harris also says that after the changes to the Australian Electoral Office positions:

The transformation of the AEC into the image of the Howard Government was complete.

Minister, would you like to comment on that statement? Indeed, you, Mr Becker, might like to comment on that statement.

Mr Becker—I find it quite extraordinary, but that is about as far as I am prepared to go.

Senator Abetz—The AEC is an independent statutory authority. Sure, we as a government have the right to appoint people, but we have had people such as Mr Longland in Queensland reappointed and, in Victoria, somebody who was a DLO to a Labor minister, which was on their CV. The other appointments I think were all from the Australian Electoral Commission or within the electoral system. So where that allegation comes from, other than from thin air or somebody's quite imaginative conspiracy theories, I really do not know. Let me say that this is very concerning. This is from somebody who claims to have some degree of credibility and signs off his articles always on the basis that he is a former Auditor-General. I trust that the audits that he used to do for the New South Wales government contained a bit more rigour, accuracy and integrity than his attempts at political commentary.

Senator BRANDIS—Mr Harris also says:

One officer was appointed who had never applied for the position.

This, presumably, is a reference to the AEC. What do you say about that?

Senator Abetz—Once again, that allegation is wrong. It is interesting to note that that article, which was advertised in the *Financial Review* on the Friday, appeared in the *Australian Financial Review Magazine* after a similar allegation was aired at the Joint Standing Committee on Electoral Matters on the Monday of that same week. It may be coincidental that those two suggestions were made in the same week, but it is also very interesting that their corporate memory suggests—in recent history at least—that that has only ever happened on one occasion, which was under the previous Labor government and not under our government.

Senator BRANDIS—Would you like to elaborate on that?

Senator Abetz—Having said that, I note that it is within the province of the government, if they think the applicants are not good enough, to approach somebody and say, 'We think you'd be good for the job,' and to appoint them. That is within their province; it is their right to do it. However, it seems strange that, in this piece of political bile and vitriol, he should level that allegation against the Liberal government to somehow bolster his assertion about the transformation of the AEC, when the facts are that it has not occurred. So his assertion there is wrong. It is interesting that it is alleged that it did occur under the previous government but, as I said, it was within their right as a government to do that if they so desired. It seems passing strange that that allegation was made twice in the same week: once

by the Labor Party and then by Mr Harris a few days later in the *Australian Financial Review Magazine* article.

Senator BRANDIS—Do you have anything else to say about the article, Minister?

Senator Abetz—I think I have said all that I need to say about the article, but a great institution—the Australian Electoral Commission—has been tarnished by this feature article. When I then wrote a letter to the editor to try to correct the record, the editors of the newspaper were very sensitive when I made a gibe at the end of it that, as a former Auditor-General, he might have had some more rigour. I said:

I trust that Mr Harris's audit reports were a bit more robust than his attempts at political commentary.

That was so highly inflammatory that the editor found it necessary to edit that out of my letter of response, yet Mr Harris was gratuitously allowed—on false premises—to make all sorts of allegations that simply are not true.

Senator BRANDIS—Ms Mitchell, am I right in understanding there is currently an AEC audit under way in relations to Markson Sparks?

Ms Mitchell—The AEC does not comment on the details of audits that it is undertaking. What I can say in general is that where issues have been raised with us, as Markson Sparks has been, we take those issues into consideration and look into those matters. One of the things that may result from our consideration of those matters, as has happened in this case, is that we would make recommendations to the joint standing committee on possible legislative change to cover issues that have arisen.

Senator BRANDIS—I am not asking you to depart from your protocol of not confirming or denying that an audit is under way, but may I take it that the principle that, where matters of serious concern are raised in the public arena or with you privately, it is the custom to cause an audit to occur?

Ms Mitchell—It would not necessarily be an audit per se that might occur, but certainly we would take the necessary steps to look at the issue to determine whether or not there was a disclosure obligation involved. If we considered that there was a disclosure obligation or that disclosure obligations that existed had not been fully met, we would follow up those matters to ensure that the provisions of the legislation had been met. If we feel that legislative amendment might lead to fuller disclosure, we would make recommendations along those lines.

Senator BRANDIS—Ms Mitchell, are you familiar with the Laurie Oakes column in the *Bulletin* of 5 September 2000, under the title 'Labor's soft money loophole' concerning the Gough Whitlam tribute dinner in Sydney that year, organised by Markson Sparks?

Ms Mitchell—It has been a while since I have looked at that article but, yes, I am familiar with it.

Senator BRANDIS—Are you generally aware that concerns in relation to that particular firm arising, in part, from that article and from other sources as well have been raised in the parliament by government members and senators, including on various occasions Senator Abetz, Senator Mason and myself?

Ms Mitchell—Yes, I am aware of that.

Senator BRANDIS—Senator Faulkner adds that he has raised the issue as well. Is there a periodical cycle in which audit reports are published?

Ms Mitchell—We do not publish our audit reports at all.

Senator BRANDIS—What happens with them?

Ms Mitchell—The AEC carries out what I would term ‘compliance reviews’ and, as a result of those compliance reviews, we will determine whether or not we feel the disclosure obligations under the legislation have been met. If we feel that there are omissions from disclosure returns or that disclosure returns have not been lodged that need to be lodged, we will follow up on those matters to achieve meeting of the disclosure obligations under the legislation.

Senator BRANDIS—By what process and by when is it likely that the concerns that have been raised in parliament concerning the firm Markson Sparks will be addressed?

Ms Mitchell—To some degree we are limited in the extent to which we can pursue issues because of the provisions of the legislation, so part of the answer to that would be: not until the legislation has changed. But, in relation to other issues, we will continue to pursue what we have the power under the legislation to pursue until such time as we achieve disclosure to the degree we think is required, if there is that requirement.

Senator BRANDIS—Take my case, Ms Mitchell. I gave a speech in the parliament about two years ago and I raised issues of concern—largely on the basis of the issues that Mr Oakes had raised in the press. By what process, if there is one, may I be satisfied that that is being chased up by the AEC and by what process, if there is one, may I and the general public be informed as to the outcome?

Ms Mitchell—If a disclosure return has to be lodged, then they are publicly available, so it will appear on the AEC’s web site.

Senator BRANDIS—What if there has been a default in the obligation? By what process is that publicly revealed?

Ms Mitchell—The process then would be, if there is a requirement for a disclosure return to be lodged and it is not lodged, or an incomplete return has been lodged and it is established that an incomplete return has been lodged, there are offence provisions in the legislation. If the AEC believes there has been a breach of the offence provisions, the matter would be referred to the AFP for investigation and to the DPP for possible prosecution.

Senator BRANDIS—Let us say for argument’s sake that the AEC arrives at the view that there has been a default, and it refers the matter to the prosecuting authorities. Because the exercise of prosecutorial discretion does not necessarily mean an offence was not committed, as you would be aware, is there any process whereby absent of prosecution, the public, the parliament, this committee or JSCEM—or whatever the appropriate organ of government is—may come to learn that the AEC has arrived at the view that there was a default in an obligation and has referred the matter to the DPP?

Ms Mitchell—We have, in the past, reported issues in what I would refer to as the funding and disclosure post-election report that we are required to prepare under section 17 of the Commonwealth Electoral Act. So issues of that sort may well be referred to in that report.

Senator BRANDIS—When you say ‘may well be’, is that essentially a random or discretionary thing whether they are or not?

Mr Becker—There is obviously some discretion, because in any prosecutorial event there is some discretion.

Senator BRANDIS—I understand that, Mr Becker, but you are not the prosecutor. That is my very point. What I am concerned to know is this: you are, in the first instance, the relevant agency—you are the agency charged with the administration of the act. In the first instance, it is the decision of your agency whether or not, in your opinion, there has been a default. As I understand it, that is stage 1 of the process. You, or the appropriate officer of the AEC, having decided there has been a default, then refer the matter to the AFP, who may in turn refer it on to the DPP, who may in turn exercise a discretion to prosecute.

My point is that, just because a prosecutorial discretion is exercised not to prosecute, that does not mean—it seems to me—that it is not relevant for the public to know that the AEC, as the agency charged with the administration of the act, has arrived at a determination that a default was committed. That is what I want to know. It is about in absentia prosecution, which is a decision made by another agency. Senator Mason, a former Commonwealth prosecutor, reminds me it is according to quite different criteria. By what process does the public learn that the AEC has decided that a default has been committed? Is there any process?

Mr Becker—Outside of the report, there is no other mechanism.

Senator BRANDIS—All right. Let us come to the report, then. Is there any mechanism or does a protocol exist within the AEC whereby determinations by the AEC that defaults have been committed are routinely reported or, as I said before, is it essentially a haphazard thing whether or not the defaults are mentioned?

Mr Becker—I think the default would largely be a matter of degree. You have to remember that there are hundreds of defaults.

Senator BRANDIS—In the case of a firm like Markson Sparks, which organises very substantial fundraising occasions for political parties—in fact, so far as I am aware, only for the Labor Party—and have been the subject of—

Senator ROBERT RAY—No.

Senator BRANDIS—I am sorry. Senator Ray has corrected me: it is not just for the Labor Party. But, in a sense, that makes the point even more strongly. This is a firm which is engaged, as an important part of its business, in the organisation of substantial fundraising activities for political parties. Its activities are the subject of comment by a respected journalist in the national news magazine the *Bulletin*. They are raised, as Senator Faulkner reminds me, by him, as well as by three government senators here at the moment—by senators from both sides of politics. In a case like that, you would agree with me, I am sure, Mr Becker, that that is a serious area of concern—and if there has been a default, it would be a serious matter that ought to be the subject of public record.

Mr Becker—A lot of these are matters of public record; they are matters of Senate estimates committee records as well.

Senator BRANDIS—That is why I am asking.

Mr Becker—Of course, the Markson Sparks issue has been raised in this committee on a couple of occasions, to my knowledge. Whether or not it has been written up in the report, I honestly do not know.

Senator FAULKNER—Has either Markson Sparks itself or the New South Wales branch of the Australian Labor Party, which had a former relationship with that organisation, made any voluntary disclosure in relation to any of these Markson Sparks fundraising exercises?

Ms Mitchell—Markson Sparks itself has lodged donor returns, yes.

Senator FAULKNER—They are not required to?

Ms Mitchell—No.

Senator FAULKNER—But they have done it.

Ms Mitchell—Yes.

Senator FAULKNER—That was a commitment, I recall, that Gough Whitlam himself insisted on when the weaknesses—and I accept a lot of what you are saying; there are major weaknesses—in electoral law in this area in relation to these professional fundraisers were made public. I just wondered if they had ever done it. Has there been much interest in accessing it?

Ms Mitchell—I have not obtained any statistics on the web site hits.

Senator FAULKNER—But it is there for anyone who is interested?

Ms Mitchell—It is, yes.

Senator FAULKNER—I do not know if you have seen it or not, Senator Brandis. Do you identify it as voluntary because it is a voluntary disclosure in some ways?

Ms Mitchell—No, we do not.

Senator FAULKNER—So it is there.

Ms Mitchell—It is just there to look at.

Senator BRANDIS—Mr Becker, following from your previous answer, where you correctly pointed out that it is for the Senate and committees like this to pursue these matters, that is what I am seeking to do now. Can I put the question as simply as I can: following the concerns that were raised about this firm after September 2000, what did the AEC do and what, if anything, is it currently doing about Markson Sparks?

Mr Becker—As Ms Mitchell says, we do not talk about what we are currently doing, anyway. What we did do is no different from looking at any other areas that we consider to be associated entities. The classic was Greenfields. They did not consider they were an associated entity, but we did and they complied. They just said, ‘We don’t think we are, but we’ll comply.’

Senator BRANDIS—Without telling us what you may or may not be currently doing—and I understand the reasons for that—can you tell us, please, what the AEC did after September 2000 which is not a current or ongoing investigation?

Mr Becker—Do you mind if I hand over to Ms Mitchell? The thing I am not too sure about is whether the article came first or whether we started looking at them first. I cannot remember.

Senator BRANDIS—The article was from 5 September 2000.

Ms Mitchell—The article was first.

Senator BRANDIS—What happened then?

Ms Mitchell—The matter was raised with us, we looked at the legislation to see what legislative obligations there might be, we looked at the disclosure returns to see what was disclosed—

Senator BRANDIS—Did you interview any staff or principals of that firm?

Ms Mitchell—I think that is going into a level of detail that would be discussing—

Senator BRANDIS—No, I am not going to ask you for any names. I am just going to ask you whether or not the process was taken to the level of interview. I am not going to ask you for any names.

Ms Mitchell—I am sorry, I still think that is a level of detail in relation to our compliance considerations that—

Senator BRANDIS—Come on, Ms Mitchell. I am seeking to establish what process was engaged in.

Ms Mitchell—The AEC has sought information from a range of people.

Senator BRANDIS—I am not asking about the particulars of the case. I am asking about the process that was put into operation to investigate the case. My question is: were there interviews?

Ms Mitchell—I think that talking about the process of a particular case is in fact going into the details.

Senator BRANDIS—I do not agree with you, Ms Mitchell. I will ask the question of Mr Becker. Mr Becker, were there interviews?

Mr Becker—I honestly cannot tell you, because I was not involved with the actual case.

Senator BRANDIS—Why don't you ask Ms Mitchell, who will not tell me? Then I will ask you.

Ms Mitchell—Information was sought from a number of people.

Senator BRANDIS—Go on.

Ms Mitchell—I think that is as far as I am—

Senator BRANDIS—So you considered the complaints, and, naturally, you would do that; you turned your mind to the legislation, and that goes without saying; you sought information from a number of people, and one would expect that, if there was investigation, that would necessarily have happened. Was that information only documentary information or did you speak to people?

Ms Mitchell—Conversations were had with a range of different people, yes.

Senator BRANDIS—Did you also have documentary information?

Ms Mitchell—Yes.

Senator BRANDIS—So you had documents and you spoke to people?

Ms Mitchell—Yes.

Senator BRANDIS—What happened then?

Ms Mitchell—We sought legal advice.

Senator BRANDIS—From whom?

Ms Mitchell—From the Australian Government Solicitor.

Senator BRANDIS—Was counsel's advice sought?

Ms Mitchell—External to the Australian Government Solicitor?

Senator BRANDIS—Yes.

Ms Mitchell—Not that I recall.

Senator BRANDIS—What did that legal advice tell you?

Ms Mitchell—The legal advice effectively confirmed our view that Markson Sparks was not a donor and was not required to lodge a donor return.

Senator BRANDIS—What happened then, or was that the end of the matter?

Ms Mitchell—No. We considered further who might be required to lodge disclosure returns. The issue is still under consideration—that is, in relation to that legal advice and the questions that arose. More than one piece of legal advice has been received, and there are still issues outstanding.

Senator BRANDIS—So it is a pending matter?

Ms Mitchell—Yes.

Senator BRANDIS—Thank you.

Senator ROBERT RAY—Following on from that, when was the last time, Mr Becker, that the funding and disclosure laws were changed?

Mr Becker—The last time they were changed?

Senator ROBERT RAY—Yes, altered by legislation.

Ms Mitchell—So this is part 20 of the act.

Senator ROBERT RAY—I will repeat the question: when was the last time that amendments were made to the act that affected the funding and disclosure sections of the act?

Ms Mitchell—Off the top of my head, 2001—

Senator ROBERT RAY—What were they?

Ms Mitchell—There was a change to the definitions in section 287 in 2001.

Senator ROBERT RAY—They were not substantial, were they?

Ms Mitchell—No.

Senator ROBERT RAY—Wasn't there a reference before JSCEM on funding and disclosure?

Ms Mitchell—Yes, there was.

Senator ROBERT RAY—Yes. There is no longer a reference there, is there?

Mr Becker—There is no report, no.

Ms Mitchell—I understand that the inquiry was discontinued when parliament was prorogued for the last election.

Senator ROBERT RAY—That is right. Do you know that the chairman of that committee, Mr Petro Georgiou, has been strongly advocating not to reinstate that inquiry, when we could have looked at the issues that Senator Brandis has raised today? Are you aware of that?

CHAIR—I do not know that Ms Mitchell can actually answer that question.

Senator ROBERT RAY—You two can't because you never turn up to meetings.

CHAIR—That is not a very fair question. Ms Mitchell cannot speak to Mr Georgiou's motion.

Senator ROBERT RAY—That is right, but we have a situation where you complain about the state of the act yet you are not even willing to do anything about it. The minister certainly has not made a reference to it. He can make it tomorrow if he wants to have a JSCEM inquiry into all these things so that we can reform and continue, if you like, to titivate the electoral act in terms of these matters, but you are worried about what might come out of it.

CHAIR—No, I am not at all.

Senator ROBERT RAY—Senator Brandis says have you noticed certain things? Let me ask you: did you notice an interview with Mr Ron Walker of 18 November 2002, which relates to the issue you raised, Mr Becker, of Greenfields, where he says with regard to the British conservatives, 'I haven't given any personal money at all. I did not give very much of my personal money to the Liberal Party either. It was just a case of getting money from the corporates'? Didn't he inform you that he had donated \$4.7 million to the Liberal Party?

Mr Becker—He took over the loan from the ANZ.

Senator ROBERT RAY—Then he ascribed it to an associated entity, so that is a gift of \$4.7 million.

Mr Becker—Then he gave it to Greenfields, and Greenfields was an associated entity.

Senator ROBERT RAY—Yes, so he did.

Mr Becker—Yes. That is what I understand the situation to be.

Senator ROBERT RAY—Now he is telling us that he did not give very much of his personal money to the Liberal Party either. Where did the money come from?

Senator Abetz—That might not be very much.

Senator ROBERT RAY—I see; it is just small change.

Senator Abetz—It may well be. Who knows?

Senator ROBERT RAY—How much are the Greenfields Foundation getting back from their \$4.7 million loan per year? They have to report that, don't they?

Ms Mitchell—I understand it is \$100,000.

Senator ROBERT RAY—Still no interest is being applied?

Ms Mitchell—Not that I am aware of.

CHAIR—Do you know?

Ms Mitchell—The issue has been looked at as part of the consideration.

Senator FAULKNER—The last return showed \$100,000.

Senator ROBERT RAY—It was an interest free loan.

Ms Mitchell—The issue of whether or not that was a gift has been looked at.

Senator FAULKNER—It has indeed.

Senator ROBERT RAY—Minister, would you like to go a step further than the dialogue between Senator Brandis and yourself about Mr Harris's article? Mr Harris wrote on another occasion about the process by which assistant electoral commissioners and electoral

commissioners are appointed. I notice you have not found fault with those articles. Is that simply because they were before your time?

Senator Abetz—Which articles are you referring to?

Senator ROBERT RAY—He wrote articles in the *Financial Review* re the process that was undertaken for the appointment of assistant electoral commissioners and electoral commissioners. I notice you did not include that in your denials.

Senator Abetz—On what dates?

Senator ROBERT RAY—I cannot give you the exact date. Certainly Mr Becker and Mr Dacey have read the articles.

Mr Becker—He had a go at my appointment in 2000, in March-April, whenever it was. I do not recall him having a go at assistant commissioners. It might have been when I was appointed deputy as well. Did he have a go at me then?

Senator ROBERT RAY—Yes.

Senator Abetz—Those articles that you are referring to were clearly before my time.

Senator ROBERT RAY—This is the same Mr Tony Harris that the New South Wales Labor Party so consistently criticised as Auditor-General, so you are not alleging a political bias here, are you?

Senator Abetz—I am alleging a bias.

Senator ROBERT RAY—Yes, but not a political bias.

Senator Abetz—I do not know what motivates the man and I am not sure that that is necessarily the subject of estimates.

Senator ROBERT RAY—You set up that little dialogue before.

Senator Abetz—I can say that the information that he sought to provide to the readers of the *Financial Review* magazine was incorrect. The most basic of research or even the odd telephone call would have told him it was incorrect. Why he did not make those phone calls would be a matter for speculation. I would suggest it might have gotten in the way of his good story if he had been clothed with the facts.

Senator ROBERT RAY—Going back to Mr Walker, you are not going to go back and check that he did actually personally donate the \$4.6 million? He always denied helping the conservatives, but according to this article:

... confronted with the details, he asked: "How did you find out?"

Mr Becker—He was the treasurer of the party at the time.

Senator Abetz—Chair, can I say that it is completely irrelevant. I do not think the disclosure legislation reaches to the United Kingdom and political parties of other countries.

Senator ROBERT RAY—That is not the point. It goes to his credibility. If he lied about that, I want to know if he lied about the \$4.7 million.

Senator BRANDIS—On a point of order, Chair, whether or not Mr Walker is an honest man is not the business of this committee.

Senator FAULKNER—It is the business of the Australian Electoral Commissioner to investigate.

Senator ROBERT RAY—To drag the truth out of it.

Senator FAULKNER—His credibility has been one of the key issues.

Senator ABETZ—I do not think we want to go there with Markson Sparks, do we?

Senator ROBERT RAY—You are going there with Markson Sparks and we are going there for Greenfields.

Senator BRANDIS—Chair, I do not think in absentia we can test the credibility of a person who is not before us.

CHAIR—Order! On the point of order—or do you want to have your say?

Senator FAULKNER—No. You would think that the minister was the one asking the questions. You would do well to find any comments I have ever made defending Markson Sparks.

Senator BRANDIS—I never said you had.

Senator FAULKNER—You never will. In fact, I demanded of the New South Wales Labor Party—and, to be fair to them, I do not always agree with them—

Senator Abetz—This is interesting chitchat.

CHAIR—So I understand.

Senator FAULKNER—You will be interested in this.

Senator Abetz—Sorry to disappoint you: I am not.

Senator FAULKNER—They took action to ensure that there was voluntary disclosure from Markson Sparks.

Senator ROBERT RAY—You just sit there and wait until we ask you questions. Thank you, Minister.

Senator Abetz—No, we will not.

Senator BRANDIS—Chair, there is a point of order.

CHAIR—Order! Have you finished this point of order?

Senator BRANDIS—I have made my point of order and I understood Senator Faulkner was speaking to my point of order. You should now rule on it.

Senator ROBERT RAY—I think we should send the Electoral Commission home.

CHAIR—All right.

Senator Abetz—What a great idea.

CHAIR—That is not a bad ruling. Are there any further questions for the Electoral Commission?

Senator FAULKNER—I have one on a very different matter, but I am happy for them to go home as soon as we very briefly deal with it. It is the issue of the registration case with the Democratic Labor Party.

Senator ROBERT RAY—I have dealt with that.

Senator FAULKNER—You have done it? Excellent.

Senator ROBERT RAY—Might I say, with great elan.

Senator FAULKNER—So that is something you have in common with Paul Keating: he believed in doing things with great elan.

CHAIR—Mr Becker and officers, many thanks for your help this evening.

Senator FAULKNER—That has been dealt with. Good night.

CHAIR—That completes the examination of the Finance and Administration portfolio.

Senator Abetz—Well done. Good night all.

CHAIR—I remind you that the committee has set 17 January as the date for submission of written answers to questions.

Senator ROBERT RAY—Is that an ambit date or a real date?

CHAIR—That is the date we have set: 17 January.

[8.43 p.m.]

PRIME MINISTER AND CABINET PORTFOLIO

In Attendance

Senator Hill, Minister for Defence

Department of the Prime Minister and Cabinet

Mr Andrew Metcalfe, Executive Coordinator, Government and Corporate

Economic policy advice and coordination

Mr Sean Innes, Assistant Secretary, Industry, Infrastructure and Environment

Mr Stephen Clively, Assistant Secretary, Industry, Infrastructure and Environment

Ms Jenny Goddard, First Assistant Secretary, Economic

Mr Stuart Sargent, Assistant Secretary, Economic

Social policy advice and coordination

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

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

Ms Jill Farrelly, Assistant Secretary, Office of the Status of Women

Ms Francine McAsey, Director, Coordination

Ms Joanna Davidson, First 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, 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

Dr Susan Ball, Assistant Secretary, Information Services

Ms Julie Yeend, Assistant Secretary, Ceremonial and Hospitality

Mr Nhan Vo-Van, Assistant Secretary, Corporate Support

Mr Terry Crane, Senior Adviser, Services and Security

Ms Fiona O'Loughlin, Acting Senior Adviser, Financial Management

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, Director, Australian Honours Secretariat

Ms Joanne Mitchell, Finance Manager, Corporate Management Section

Office of the Official Secretary to the Governor-General

CHAIR—Welcome, Mr Bonsey and officers; thank you for attending tonight. Mr Bonsey, do you wish to make an opening statement?

Mr Bonsey—No, thank you, Chairman.

CHAIR—In that case we will move to general questions.

Senator FAULKNER—Welcome, Mr Bonsey.

Mr Bonsey—Thank you, Senator.

Senator FAULKNER—How is the Governor-General's diary going? Is it still as empty as it used to be or have you been able to fill it up with a few things?

Mr Bonsey—The Governor-General has a full diary, Senator.

Senator FAULKNER—How are you able to say that?

Mr Bonsey—Because he has a whole range of functions which come in one way or the other. He has a busy program.

Senator FAULKNER—The reason I asked the question is that I have seen—as you probably have yourself—some press suggestions that there is not a huge amount of activity there in terms of official functions. Have you been able to run a measure across how that is going on a comparative basis to assure the committee that he is extremely active?

Mr Bonsey—In response to questions on notice last time we gave you some information on what we called activities which are internal events and on briefings which cover external events as well. It is certainly the case that the numbers for this year are roughly on a par with a normal running expectation.

Senator FAULKNER—What is normal expectation?

Mr Bonsey—I think you will recall that the figures we provided for you last time had about 123 or 124 internal events in both Sir William's final year and—

Senator FAULKNER—Is it well on a par with that?

Mr Bonsey—It is running more or less on par with that. If you will bear with me—

Senator FAULKNER—You can update us on that, Mr Bonsey, very briefly.

Mr Bonsey—From July to mid-November, the equivalent measure, which turned up as 123 and 124 for a full year, is run at 4½ months. I do not think there is a huge change. In a sense, the measure for this is that day by day the activities that he engages in are in the vice-regal notes and, frankly, they have been—

Senator FAULKNER—It makes for exciting reading, I am sure you would agree.

Mr Bonsey—That is right. And there is roughly the same sort of measure of—

Senator FAULKNER—I get the newspapers and I dive straight for the vice-regal column, I can assure you Mr Bonsey—I don't think!

Mr Bonsey—I am sure you do.

Senator FAULKNER—Did you see in the *Canberra Times* the criticism that a high proportion—I do not whether there is any basis to this or not, but you can scotch it now—of the functions the Governor-General was going to were religious functions?

Mr Bonsey—I did not see that, no.

Senator FAULKNER—I knew you wouldn't have.

Senator ROBERT RAY—Because there is no response from you.

Senator FAULKNER—That was on 8 August 2002 in the *Canberra Times*, under the heading—

Mr Bonsey—I am afraid I was on leave at that stage. I am sorry; I am not familiar with that.

Senator FAULKNER—It was under the heading ‘Where’s the GG been—’

Senator ROBERT RAY—I will give you the copy of this so that you have a record of it. I do not want to read it again.

Mr Bonsey—Thank you.

Senator FAULKNER—Now you will be able to refer to it directly, thanks to the generosity of Senator Ray.

Senator ROBERT RAY—It is one less paper I have to carry.

Senator FAULKNER—Is there any truth to the suggestion that the Governor-General is attending a high proportion of religious functions?

Mr Bonsey—I cannot give you a firm answer. I have not done any statistical analysis of that. I think it would probably be fair to say I would expect to be there a slightly greater proportion, reflecting the fact that invitations tend to come to a person from people who already have those connections. But I do not think it would be a significant distortion.

Senator FAULKNER—It is normal—appropriately too, I think—that you jump to the Governor-General’s defence when these sorts of things are said. I did not see a response. Now I understand it was because you were on leave. You might check that out and let us know. Could you take that on notice.

Mr Bonsey—I am pleased to do that for you.

Senator FAULKNER—We can refer any answer to the *Canberra Times*. It will either confirm or not confirm what they are suggesting.

Senator BRANDIS—Mr Bonsey, we would probably find too, wouldn’t we, that Sir William Dean would have attended a slightly higher number of legal profession related functions or judicial functions and that perhaps Sir Zelman Cowan would have attended a slightly higher than average number of university and academic functions—reflecting their backgrounds?

Mr Bonsey—Possibly, but I cannot put that on a firm basis.

Senator FAULKNER—You might just take that on notice and let us know whether there is any basis to it. I think the best basis on which to deal with it is a proportionality comparison. I do not want to get bogged down in it now. Thanks a lot for that. Very briefly: when you were last before us we dealt with the vexed issue of the Governor-General being junked as patron of a few organisations. Are there any to add to the list?

Mr Bonsey—When we last spoke to you we mentioned the Kids First Foundation, NAPCAN, Barnados Australia and Open Family. Since then, the YMCA requested a resignation and there is an unresolved issue with the Australian Early Childhood Association.

Senator FAULKNER—So how many is that now?

Mr Bonsey—Six. I think we may have mentioned previously, just for the sake of completeness, an organisation called PLAN International, where patronages were really a form of personal giving which—

Senator FAULKNER—Are there any new ones since we last met?

Mr Bonsey—I have mentioned YMCA and the Australian Early Childhood Association as having been—

Senator FAULKNER—None that you know of in the pipeline?

Mr Bonsey—No. With the Australian Early Childhood Association I think it is accurate to say it is subject to consultation between us and them at the moment, but basically it is a resignation. There is another one where I think it is important for us to understand quite what is going on. Relationships Australia, which used to be Marriage Guidance, have done quite a significant internal review and they have decided not to have patrons at all but to have friends, and as part of that process they have made it very clear to the Governor-General that the decision was purely as a result of that review.

Senator FAULKNER—He, nevertheless, would be a friend.

Mr Bonsey—He has been invited, and has accepted, to become a friend of Relationships Australia.

Senator FAULKNER—I think you are absolutely right to draw the distinction there.

Mr Bonsey—That is all.

Senator FAULKNER—I will have to leave you in the capable hands of the other senators for a few minutes because I have to talk to the Director of Public Prosecutions about the former Senator Colston. I will be back.

Senator ROBERT RAY—There was some mention in the newspapers about the Governor-General's decision not to attend the Melbourne Cup. Could you pass on to His Excellency that was a great decision. It was very hard to snag a winner that day; a very tough field, they were.

Mr Bonsey—I will be pleased to.

Senator ROBERT RAY—One other issue we looked at last time was the PR consultant. I do not want to retrace the ground, other than to ask one question. Has there been any additional or subsequent expenditure since we last discussed it and you kindly provided the details in an answer?

Mr Bonsey—No, there has been no further engagement or payment or any continuation of that consultancy.

Senator ROBERT RAY—That completes the questions on the Governor-General.

CHAIR—Thank you, Mr Bonsey, and officers.

[8.54 p.m.]

Department of the Prime Minister and Cabinet

CHAIR—Welcome, Minister. Mr Metcalfe, it is good to see you in a different reincarnation. We will commence with general questions from Senator Ray.

Senator ROBERT RAY—Minister, we are going to bounce around a bit because Senator Faulkner, who had main carriage here, has had to go, as you would realise, to another

committee briefly, so I ask for your tolerance in advance if we jump around on issues just a little. We will try to deal with most in general because it is the supplementary round. Could someone at the table just remind me—even though I know the answer—when was the cut-off date for taking questions on notice and answering them to this committee?

Ms Belcher—The cut-off date was 10 July.

Senator ROBERT RAY—Halfway through the footy season—that was long while ago, wasn't it? Are there any questions not yet answered?

Ms Belcher—No. I believe all the questions from 27 and 28 May have been answered.

Senator ROBERT RAY—How many were delivered yesterday?

Ms Belcher—I hope that there were none delivered yesterday. The last ones were sent last week—and I apologise that nine were not sent until last Friday.

Senator ROBERT RAY—And received on Monday.

Ms Belcher—They were delivered by hand on Friday afternoon—

Senator ROBERT RAY—Sorry—received by members of this committee. They were not personally delivered to us. I think we have got the chronology right. I could ask some very erudite questions about them if I had brought them from my office. Why did they take so long to answer? Let us go back to basics: when was the department draft forwarded for approval by a minister?

Ms Belcher—It varied considerably. Obviously the 91 that were answered on time were drafted reasonably soon after the hearings. But I would have to say the last one to be sent forward was not sent forward till last week. So it varied considerably.

Senator ROBERT RAY—Maybe the secretary can get copies of those questions and answers and we might just have a look at them. I thought a couple of them were fairly simple. I could not understand why it would take five months to answer them—I could be wrong. Let us go through that first question. It is a one-page one about Senate committees and MOP staff—you would agree with that. This is question PM14, if you have it in front of you.

Ms Belcher—I do not, but I know the one you mean.

Senator ROBERT RAY—This is something I assume you crafted on 12 March. Clearly, you are following the old precedent that you can deliver part of this to the committee and you have blacked out part—and I do not ask about the blacked-out part. Why would that take four or five months to do and get ready and send over and have come to us as late as Monday?

Ms Belcher—I cannot give you a satisfactory answer to that. It required some discussion, but all I can do is say that I am sorry. It should have come to you earlier.

Senator ROBERT RAY—I go to PM22. I asked whether there were still three people being paid beyond the principal adviser range. A very similar question was asked of DOFA and they answered it in time—within 28 days. This one has taken five months to put out a four-line answer. Why is that?

Ms Belcher—I cannot off the top of my head tell you when we prepared that. Again, I just say that I am sorry that it did not reach you sooner.

Senator ROBERT RAY—I will not ask you any more; I have jammed you up enough. The problem for us as committee members is sometimes we like to follow up on these. The Senate sat on Monday and Tuesday of this week; we were extremely busy with that. I think I

delivered five, not particularly grand, speeches in that time. We were tied up with other things and did not get a chance to look at these in the last two or three days. It is amazing how often this happens—and not just with your department but with a whole range of departments—especially on things of particular political interest, and we are not in a position to read or analyse them. You might note that, I think, the chair announced the deadline as 17 January, which is a tougher deadline than this one because you have the intervening holiday period. I do not know when the next estimates are but if you could keep in mind that 10 days before the next estimates gives us time to look at the answers and then pursue.

There was a question placed on notice about mobile phones for ministerial staff. These mobile phones are provided by home departments, so the question was put across every department. Not one answer has been received, so we pursued that in the previous part of the hearings. Apparently, Minister Abetz's office—to be very accurate—has been given the task of coordinating the whole of government response. That is fair enough. But, when we questioned DOFA officials as to why not even they had yet forwarded their answer to the minister's office, their response was: the parliamentary question person—and Senator Mason can interrupt me if I am verballing at all—who was not named, in PM&C told them not to forward their response yet. I want to know who that person is or why they issued that instruction.

Ms Belcher—When we see that there are questions asked of all portfolios that are identical, we take into account the Prime Minister's interest in whole of government responses and we seek guidance on how the Prime Minister wishes those questions to be answered. The advice we were given was that Senator Abetz would take that question and answer it.

Senator ROBERT RAY—Thank you for answering a question I did not ask. I know that is the reason. I want to know why the parliamentary question person has told the DOFA official not to forward it yet to Senator Abetz's office. I think this question was put on notice on 19 July. By the end of July, they had the answer to how many mobile phones they allocated out to the 24.6 staff—that is, MOPS, section 4—working within the broad portfolio area, not including DLOs. Why was an instruction given not to forward it to Senator Abetz's office?

Ms Belcher—That was the advice we were asked to pass on.

Senator ROBERT RAY—Why is that, Minister?

Senator Hill—I do not know why.

Senator ROBERT RAY—There is a variety of rules on questions on notice. However, we do not quibble with the fact that the government do not want to be cherry picked on any of this, that they would like to put all the answers down at one time and have a whole of government approach. Politically, that makes sense. But I do not know what sense it makes to tell individual departments not to forward the information to the coordinating minister. Ms Belcher said that is under instruction. I am looking for the reason that that instruction should exist. We do not know.

Senator Hill—Obviously, I have not been a party to the intricacies of this matter. If it is considered important, I can seek further advice as to the detail of the process that was adopted.

Senator ROBERT RAY—You did hear the evidence that Senator Abetz did not know he was coordinating minister on this until today?

Senator Hill—No.

Senator ROBERT RAY—Just for your elucidation, Minister, so you can follow the issue: we have raised the question, and the total opposition shadow ministerial staff were allocated 25 mobile phones amongst the 76 of them, yet within one portfolio—the first one we could get an answer for—there were 24 mobile phones out, including the DLOs. That is not exactly an equitable position. Hence, that is the reason for the question. We would appreciate just a little more information on that, if you could piece together what you could not answer today and respond on notice. Who here is the parliamentary question person?

Ms Belcher—A relatively junior officer within Government Division, part of the Parliamentary and Government Branch.

Senator ROBERT RAY—But they have the power to ring up each department and tell them, ‘Don’t forward your answer yet.’

Ms Belcher—Only if advised to do so.

Senator ROBERT RAY—It is still beyond me why they would be advised to do so.

Senator Hill—But there has obviously been some communication breakdown if Senator Abetz did not realise that this task had been passed to him.

Senator ROBERT RAY—Someone knew, because he found out in a big hurry.

Senator Hill—Today.

Senator ROBERT RAY—I believe him. I do not think he was misleading the committee, do you Senator Mason? He did not know early on.

CHAIR—That is right.

Senator Hill—I did not know that there was an issue about the inequitable distribution of mobile phones.

Senator ROBERT RAY—This is obviously the building step: if we show that the government have 400 and we have 25 we might then have a case to mount, mightn’t we? That is exactly what it is going to show. It is not quite that; it will be 325, I suspect. However, that is not really for you or your committee, but we need the information—that is our point.

Senator Hill—I did not know that there had been a request made by the opposition for further mobile phones.

Senator ROBERT RAY—Another issue that has come up recently is that on the day that the Prime Minister called the election, the Electoral Commission put in a request to PM&C to find out whether an election had been called officially. The response was that they were sent a press release. Who was responsible for that?

Ms Belcher—Although I cannot recall taking the call myself, it would have been within Government Division. Prime Ministers have generally not wanted information about the date of an election passed on until the Prime Minister makes the announcement.

Senator ROBERT RAY—That is absolutely right, but that does not go to the question.

Ms Belcher—It was not until after the Prime Minister had made the announcement that we provided the Electoral Commission with a copy of the Governor-General’s proclamation and the letter that had gone to the Governor-General.

Senator ROBERT RAY—Hold on: that is new information.

Ms Belcher—On the afternoon of 5 October we sent a copy of the Prime Minister's letter to the Governor-General, the Governor-General's response and the signed proclamation to the Electoral Commission. But nothing went before the Prime Minister's announcement.

Senator ROBERT RAY—Nor should it; nothing was requested before that. The evidence given at the Joint Standing Committee on Electoral Matters, and I think again tonight fairly substantially, was that when the Electoral Commission rang PM&C—I presume it would be your division—to ask: 'Is there an election on?' because it was all over the radio and everywhere else, an officer of your section just faxed them the press release. That is not true?

Ms Belcher—That might well be the first thing that was faxed through to them; I do not know. But my understanding from what I read in the newspaper was that the Electoral Commission found out that an election was almost certainly on when someone rang and said: 'The Prime Minister's car is on its way to Government House.' At that stage we had nothing—as you would accept—to give them. It might be that the very first thing that we had available was that press release.

Senator Hill—Are you suggesting that the department was rung before the election was announced?

Senator ROBERT RAY—No, I am not. I am saying that them just sending a press release is almost disrespectful, but not quite. Secondly, for the future—and that is where I am leading to, Senator Hill—we should have procedures where PM&C officially inform the Electoral Commission. Once the Prime Minister has been granted the dissolution by the Governor-General, they should officially inform them by letter as quickly as possible, because there is still some confusion as to whose responsibility it is to draw up the writs.

Senator Hill—But it seems that in this instance the department did send the appropriate information on the day in question.

Senator ROBERT RAY—Much later.

Ms Belcher—We could certainly introduce a system where a formal letter goes the moment we know the Prime Minister has made the announcement.

Senator ROBERT RAY—That is what I am suggesting. I think that gets over the problems. As I understand it—I will go into more depth at another time, probably at JSCEM—there is still a problem with who draws up the writs and on what basis they draw them up. They cannot draw them up on the basis of a press release that has come through the fax. That is my point. The rest of the material may have come much later in the day—the letters.

Ms Belcher—It was sent about 4 o'clock. I think the Prime Minister's press conference was at about 2.30 p.m.

Senator ROBERT RAY—When did he see the Governor-General?

Ms Belcher—I think it was around 12.30 p.m.

Senator ROBERT RAY—I would suggest to you, if you have never run an election, that that is a long time gap to be officially informed if you are the Electoral Commission trying to get it under way.

Ms Belcher—Senator, it is not as if we are unaware of the work the Electoral Commission has to do. In the time before the election—sometimes up to months before—we are making sure that we understand their timetable. We obviously get from them the dates, from the issue

of writs to the holding of the election and so forth, so that the information we are providing to the Governor-General is accurate. We also ensure that we leave them time to issue the writs. We were told by the Electoral Commission that they had things drawn up so that all they had to do was slot in the dates. We therefore made sure we were leaving them sufficient time between the announcement and the issuing of the writs.

Senator ROBERT RAY—Is it your understanding that there are still some weaknesses in who has the capacity to draw up and issue the writs—more draw up than issue?

Ms Belcher—I was not aware that there was a difficulty there. We understand there is a letter on its way to us asking if we can have discussions about a protocol for the future. Obviously, we will be quite happy to have those discussions.

Senator ROBERT RAY—That is good. I think that is all on that issue.

Mr Metcalfe—This may be an opportunity for me to provide some information to the committee on an issue you were pursuing with Dr Watt in relation to question on notice No. 43, I think. It concerned the issue of whether part of a question that was properly answered by Finance was referred to them in a timely way. That related to the PM's travel.

Senator ROBERT RAY—Yes, that came up.

Mr Metcalfe—We were watching it at the time and I made some inquiries this afternoon. When it became apparent that Finance only received the referral of the question at three o'clock this afternoon, there was a very obvious question as to why. I think you used the word 'contempt' in its vernacular sense, not in a formal legal sense.

Senator ROBERT RAY—I am sorry. I amended 'contempt' to 'contemptible'.

Mr Metcalfe—That is noted, Senator.

Senator ROBERT RAY—It has a different meaning in terms of parliamentary privilege.

Mr Metcalfe—I wanted to reassure the committee that this issue was a complete and inadvertent misunderstanding and that nothing either contemptuous or contemptible was intended or meant. I understand that the area of the department responsible for the substantive part of the response understood that the area that coordinates the response had in fact referred that particular element of the question to Finance. Clearly that did not occur. We will do everything we can to make sure that that sort of communication breakdown does not occur again.

Senator ROBERT RAY—Does it ever occur to you that, having made that mistake, it would probably be best just to take the bruise and not refer it at three o'clock today but to wait until tomorrow? It looks worse to flick it, just as the witnesses are sitting at the table.

Mr Metcalfe—That is a good point. Neither Ms Belcher nor I, who would normally take executive responsibility for this issue, were aware of the fact it was not referred to Finance until today. If we had been aware of this issue, I think we would have immediately informed the committee of this problem, so at least there would have been some communication there. Secondly, we would have advised Finance at a senior level. I also want to put on the record that we placed Dr Watt and his colleagues at a disadvantage before the committee this afternoon. That was certainly not our intention. I just wanted to say that there was absolutely no intention to be evasive in this area. It was a misunderstanding within the department and we will do everything to ensure that that sort of issue does not arise again.

CHAIR—Thank you.

Senator FAULKNER—My question, Mr Metcalfe, is about the Centenary Medal.

Mr Metcalfe—Mr O'Neill can help you with that.

Senator FAULKNER—This is under output 4 which is support services for government operations. Mr O'Neill, where are we up to with the Centenary Medal?

Mr O'Neill—At the exact moment, recipients are being sounded as to whether they wish to receive the medal and whether the details of date of birth and those sorts of things are accurate.

Senator FAULKNER—I see. When was the centenary?

Mr O'Neill—The Centenary of Federation was 2001.

Senator FAULKNER—Are we celebrating 9 May 2001? Which particular date are we celebrating? Was it 9 May?

Mr O'Neill—It was an opportunity to celebrate the achievements of a wide cross-section of the community—service to the government and service to the community.

Senator FAULKNER—I am sorry, I am talking about the date. We were talking about 9 and 10 May 2001, weren't we?

Mr O'Neill—The Centenary Medal was established to commemorate the achievements of people at that time in 2001.

Senator ROBERT RAY—It will be the bicentenary medal if we do not hurry up.

Senator FAULKNER—It is a while ago, isn't it?

Mr O'Neill—These things take time, Senator.

Senator FAULKNER—Come on, they do not take that long with all the planning you were telling us about for years that was going into this. For God's sake, it is November 2002. It is 18 months later. When are these things going to be awarded? Which month and year do you think the Centenary of Federation medal, celebrating events of 9 and 10 May 2001, will be awarded?

Mr O'Neill—The medals will be awarded early in 2003.

Senator FAULKNER—In 2003—two years late. That is terrific.

Mr O'Neill—There is a process to be evolved of consulting people. It is an important award. It is not just something that is sent out in the mail. It takes time for approval by the Governor-General.

Senator FAULKNER—So it is a balls-up, basically. It is, isn't it? This is not the Centenary Medal anymore at all. This is the centenary plus two years medal. Senator Hill will be able to help us here as to whether there is a special word for 102 years, not 100 years. Senator Hill is an expert at these sorts of things. Senator Hill is a good man in a crisis. He will be able to think of an excuse for the Centenary Medal running two years behind schedule.

Senator Hill—The degree of deliberation reinforces the importance of the award.

Senator FAULKNER—I knew you would have an excuse like that. Congratulations, Senator Hill.

Senator ROBERT RAY—When did you put your nominations in?

Senator Hill—I do not know that they were all in there.

Senator FAULKNER—The next time you come up with an excuse like that, we would like you to try to keep a straight face if you could.

Senator Hill—I am sorry.

Senator FAULKNER—How many nominations were received in the last couple of years while we have been fiddling around with this?

Mr O'Neill—It was planned to be about 18,000 or close to that figure.

Senator FAULKNER—How close? Surely 1½ years after the centenary we can be precise.

Mr O'Neill—It is approximately 17,000 nominations.

Senator FAULKNER—Approximately 17,000?

Mr O'Neill—Yes.

Senator FAULKNER—So we cannot be precise?

Mr O'Neill—The exact figure is that a number of the centenarians have not taken up the—

Senator FAULKNER—No doubt a number have died.

Mr O'Neill—Perhaps.

Senator FAULKNER—How many have died?

Mr O'Neill—I cannot tell you that.

Senator FAULKNER—This is hopeless.

Mr O'Neill—The general list contains 15,019 nominations, and that is complete.

Senator FAULKNER—Quite seriously, this is a pretty poor effort, isn't it? Quite seriously, I am sure the award of this medal would have been a very important achievement for a lot of people, but this is hopeless. You are not going to award this medal until two years after the Centenary of Federation. How much is this costing the taxpayer?

Mr O'Neill—The cost of the production of the medals, which is arranged by Government House, is in the order of about half a million dollars.

Senator FAULKNER—There are two lists, aren't there? There is one for the achievers, or the people who have achievements, and one for the centenarians. That is right, isn't it?

Mr O'Neill—Yes.

Senator FAULKNER—How many of the 17,000 are on the achievements list?

Mr O'Neill—There are 15,019.

Senator FAULKNER—How many are on the centenarians list?

Mr O'Neill—We estimated about 3,000. That was based on the Australian Bureau of Statistics figures.

Senator FAULKNER—You estimated. Don't we know, after 18 months since the Centenary of Federation?

Mr O'Neill—Approximately 1,700 nominations have been made for the centenarians.

Senator FAULKNER—Is this embarrassing, Mr Metcalfe, for the Department of the Prime Minister and Cabinet?

Mr Metcalfe—I do not think so.

Senator FAULKNER—Okay, fair enough.

Mr Metcalfe—On the basis, as the minister explained, this has been a very substantial—

Senator FAULKNER—You are not going to fall back on the minister's explanation?

Mr Metcalfe—I thought it was an excellent explanation.

Senator FAULKNER—You would. You know how to get on, Mr Metcalfe. You will be promoted for saying that.

Mr Metcalfe—I came to the department some four months ago, and this issue was—

Senator FAULKNER—Well after the Centenary of Federation.

Mr Metcalfe—Well after the centenary. This issue was one of the many things I was briefed on, and it became clear to me that it was a very substantial logistical task. Mr O'Neill has mentioned the numbers. There has been a substantial process of receiving nominations from members of parliament, ministers, the general community and so on. The process is now very close to completion.

Senator FAULKNER—No it is not; it is not going to be ready until 2003.

Mr Metcalfe—It is November 2002 now, Senator.

Senator FAULKNER—And the centenary was on 9 and 10 May 2001. We were all down there in Melbourne, remember?

Mr Metcalfe—That was the centenary of the first parliament.

Senator FAULKNER—Yes, and we were informed here that that was what we were going to celebrate with the Centenary of Federation medal.

Mr O'Neill—With respect, Senator, it was 2001 and the achievements at that time.

Senator FAULKNER—So we have redefined the centenary?

Mr O'Neill—No, if you recall, that is what I—

Senator FAULKNER—We are still 11 months late, even if you redefine it.

Mr O'Neill—It was 2001; it was not related to the centenary of the sittings in Melbourne.

Mr Metcalfe—One of the final issues I should just add for the sake of completeness is the final arrangements for the investiture of the medal. It had been the Commonwealth's intention that, essentially, state government houses be involved in somehow recognising the award to recipients, but we have been advised by at least a couple of states that they are not prepared to do that. That has only happened at a very late stage. We are now in the final—

Senator FAULKNER—They probably figured out that it has got to the level of high farce now.

Mr Metcalfe—I do not think so.

Senator FAULKNER—Come on!

Mr Metcalfe—It still will remain a Centenary of Federation medal. The particular arrangements were designed to ensure the highest possible status associated with the award, and it is a matter of some regret that the planned arrangements are not able to be put in place and that we will need to make some other arrangements.

Senator FAULKNER—I am sure it is a matter of some regret that the Centenary of Federation medal, designed to be awarded in the year 2001, is going to be awarded in the year 2003. Is that a matter of some regret too?

Mr Metcalfe—As I said, Senator, I think the issue is that it was designed to recognise achievements in that year and that there has been a substantial process to work through the nominations and to finalise the process. But, certainly, we are determined to try and finalise it—

Senator FAULKNER—Has the secretariat responded to all those people who made nominations?

Mr O'Neill—All nominations have been acknowledged. All nominees are being approached at the moment. All of the states have been members of the council for the Centenary Medal, which has just recently completed its work.

Senator CONROY—If any have died in the interim, will they get them posthumously?

Mr O'Neill—Yes.

Senator FAULKNER—What about the nominations of the Presiding Officers in the Commonwealth parliament? Where are they up to? I am going to explore this later, if we get around to examining the parliamentary departments tonight.

Mr O'Neill—The Commonwealth's list?

Senator FAULKNER—Have you communicated with the Presiding Officers?

Mr O'Neill—There has been communication with the parliamentary departments.

Senator FAULKNER—When was that?

Mr O'Neill—I cannot recall now. I can find that out for you, if you wish.

Senator FAULKNER—Are you sure of that?

Mr O'Neill—Yes.

Senator FAULKNER—We will check that later. Are you embarrassed by this, Mr O'Neill?

Mr O'Neill—No, I am not, Senator; it takes time.

Senator FAULKNER—You should be. Let us move on to the next issue. Also in your area, Mr O'Neill, we have the honouring of the people of central Victoria. I know Senator Ray and Senator Conroy are going to say to me that they represent—

Senator ROBERT RAY—Three marginal seats.

Senator FAULKNER—Both my fine colleagues here represent—

Senator ROBERT RAY—That entire part of the electorate, yes.

Senator FAULKNER—In the federal parliament. I do not know much about this initiative. Can you tell me: what is the 'honouring the people of central Victoria initiative'?

Mr O'Neill—We have been going for some years on a regional basis. The first region we targeted was the Gippsland region. We aimed to raise the profile of the Australian honours. We now work on the basis of a network which we establish in each area, so that people are aware of the Australian honours: bravery, Order of Australia and the other awards; for example, the National Medal, which is available to the uniformed services in the community.

So there is a sense of pride. It is not simply that people go to Government House and that is the end of it—there is a continuation. We have established on our web site an honour roll, where people within the community can be recognised throughout their lives, even within the context of the Australia Day celebrations, with the sausage sizzle at the Bendigo or Traralgon showgrounds.

Senator FAULKNER—When were they held?

Mr O'Neill—No, they are hypothetical examples. Our recipients are invited to those, and not overlooked. It is not just others who are being recognised.

Senator FAULKNER—Who are the recipients?

Mr O'Neill—Recipients of the Order of Australia, bravery decorations, the National Medal. All of those people go to Government House, and sometimes they are overlooked by their communities. We have been honouring local heroes for some years now throughout Australia. We have covered all states of Australia.

Senator FAULKNER—What is happening on the ground in Victoria, as we speak?

Mr O'Neill—We are meeting with active community organisations and local councils. We have a software package so that they can recognise their own outstanding achievements. So it is not a matter of these things just going into the vapour. They can move on and, if they wish, honour them for the Order of Australia or bring their achievements to attention, so it is at the front of their minds, rather than at the back of their minds, because these things are frequently overlooked. So the people of all regions, including central Victoria, are able to be acknowledged.

Senator FAULKNER—How many regions have we had in this program so far?

Mr O'Neill—So far, about a dozen, I would guess, including parts of South Australia and New South Wales. The most immediate one prior to this was the Riverina, and around Ipswich.

Senator FAULKNER—My colleague Mr Gibbons MP, the member for Bendigo, received a letter which he raised with me. He found out about it via this correspondence, and he passed on a copy of the letter. He wanted to find out, knowing about my interest in your activities, Mr O'Neill, if I could assist him. I said I could not; I said I would raise it tonight. This letter says:

This project was recently conducted as a pilot project in the Riverina ...

Is that right?

Mr O'Neill—Yes, it is a different approach. Previously we were looking at meeting with people and talking about the Australian honours system. We are now establishing networks so that there is a lasting arrangement, with the establishment of the honour roll on our web site. In the local region, when you click the button on central Victoria, up come all the recipients of the Order of Australia.

Senator FAULKNER—Yes, but you talked about Gippsland. The letter then says:

... and following its success, Central Victoria has been selected as the next region ...

Mr O'Neill—As I say, this is a refinement. The pilot of our software and our networks was held in the Riverina just recently, but we have been running now since about 1998. It has been over some years that we have been running our regional program.

Senator FAULKNER—When was the pilot of the Riverina?

Mr O'Neill—The pilot was in July.

Senator FAULKNER—Is it true that Central Victoria is the next project?

Mr O'Neill—Yes, we will be down there in early December.

Senator FAULKNER—How do Gippsland and all these others fit in?

Mr O'Neill—Gippsland is a region; it has an identity—

Senator FAULKNER—I know that, but where does it fit into this?

Mr O'Neill—As I said, it is a region; it has an identity.

Senator Hill—It is being started in Gippsland. It is moving region by region. It is taking the awards to the people.

Senator FAULKNER—I understand that, but this letter does not seem to indicate that. I am trying to understand. It says the pilot project is in the Riverina, and central Victoria is the next region. Is that right or wrong?

Mr O'Neill—That is right: central Victoria.

Senator FAULKNER—I just wanted to know where these other regions you have mentioned fit in and when they fitted in.

Mr O'Neill—We started in 1998, and we have been running for some years. We have now done a refinement of the approach we adopted before, with the Riverina.

Senator FAULKNER—So this is a pilot project for a refined approach, not really—

Mr O'Neill—It is not a new industry; it has been going for some years.

Senator FAULKNER—So who made the choice of central Victoria?

Mr O'Neill—We try to apply a matrix, where there is local radio and TV without the shadow of a capital city. There is local ABC; there is local and community print media. We sound out the state and federal members to see whether they are interested.

Senator FAULKNER—Did you sound out Mr Gibbons?

Mr O'Neill—Yes, through correspondence. We wrote to all councillors.

Senator FAULKNER—You actually wrote to him and told him what was going on. It was planned.

Mr O'Neill—That was the purpose of the letter: to let them know and as a sounding.

Senator FAULKNER—I think it had been determined before he was sounded out about it.

Mr O'Neill—Well—

Senator FAULKNER—It was, wasn't it?

Mr O'Neill—We would not go into the region if there were no support at all, but what we had done—

Senator FAULKNER—But you did not sound him out before, which may or may not be fair enough. I just want to get this correct. He was not sounded out before it was chosen, was he?

Mr O'Neill—It was part of the choosing process that I wrote to him to tell him that we were coming to central Victoria.

Senator ROBERT RAY—Did you write to senators informing them?

Mr O'Neill—No, it was the House of Representatives members, the lower house members in the Victorian parliament, local councils, mayors and chief executives, I think.

Senator FAULKNER—You in fact wrote a letter that is dated 17 September, which was received in Mr Gibbons's office. As I said, he is a very fine local member so he is on the ball about these sorts of things. It says:

I am writing to let you know that a special promotion on Australian honours is planned for Central Victoria from October to December 2002.

That is sounding out, is it?

Mr O'Neill—Yes, and to focus the mind.

Senator FAULKNER—Okay, now we know.

Senator ROBERT RAY—You say:

We are keen to hear from you in the next few weeks with any input you may have—

It starts in October, and he gets a letter on 24 September. He does not have much time to respond, does he?

Mr O'Neill—I sent a staff member down there to interview and meet staff, and she did. She was down there just last week meeting with staff and councils. She has been talking to people and meeting with some of the local community groups to see what the level of interest is, because that is part of it as well—to see which way we go and the nature of the function we might hold.

Senator FAULKNER—Do you think your branch is overworked, with the Centenary Medal 18 months or two years late? Do you have enough resources to carry out all these important functions?

Mr O'Neill—I cannot respond to that, Senator.

Senator FAULKNER—Why not?

ACTING CHAIR (Senator Chapman)—Are there any further questions?

Senator FAULKNER—Yes. Senator Hill, you could probably assist us with this one. Is the Prime Minister's code of ministerial conduct still in place, as much as it ever was?

Senator Hill—Yes. It was always in place and remains in place.

Senator FAULKNER—Do we have an expert on the code of ministerial conduct with us?

Senator Hill—Ms Belcher, do you claim to be an expert?

Ms Belcher—I never claim to be an expert.

Senator Hill—Ms Belcher knows enough about the code, more than most.

Senator FAULKNER—I know you are very careful about those things, Ms Belcher, but no doubt you will be able to help us, as you always do. Is there any distinction in the code between ministers, or members of the executive council, who are directors or shareholders of a shelf company as opposed to an operating or trading company? Can you point that distinction out to me in the code, if it exists?

Ms Belcher—I do not recall it; I cannot point you to it.

Senator FAULKNER—There is no such distinction, is there?

Senator Hill—That is not the answer she gave. The answer she gave was that she was unsure of that without referring to the document.

Senator FAULKNER—I am sorry?

Senator Hill—She is unsure of that matter without referring to the document.

Senator FAULKNER—No doubt, as a minister, you would have very close knowledge of the code, Senator Hill. No doubt on a daily basis you would be trying to ensure that you adhered to it.

Senator Hill—Each morning before breakfast.

Senator FAULKNER—I doubt that you read it each morning before breakfast, but I do not doubt that you keep a weather eye on it from time to time. Is there a distinction made between ministers who are directors or shareholders of shelf companies as opposed to trade companies? It is not there, is it?

Senator Hill—Can we get a copy of the document? I remember reading it carefully at a time in which former Senator Parer was being unfairly maligned. I am not too sure that I have read it all that often since. I would like to refer to it, but I do not think there is—

Senator FAULKNER—Why don't we get a copy of the code and we will come back to this. I am happy to come back to it if you are not able to give that information now. I would have thought that someone with your expert knowledge would have been able to.

Senator Hill—I was trying to give you the benefit of my recollection, but it would be much better to refer to the document.

Senator FAULKNER—I am happy to come back to it.

Senator ROBERT RAY—But you can confirm that the code says that ministers are required to divest themselves, or relinquish control, of all shares and similar interests in any company or business involved in the area of their portfolio responsibilities. That is definitely there, isn't it?

Senator Hill—That is correct.

Senator FAULKNER—In fact, it is true that the only distinction in the code that is made in relation to private companies is where the company operates as a family farm, business or portfolio investment where there is no conflict of interest with ministerial responsibilities. That is right, isn't it?

Senator Hill—Farmers have always been treated differently, that is true, under successive governments.

Senator FAULKNER—Have you any idea at all what Senator Coonan was talking about when she drew that distinction about shelf companies, as opposed to trading companies, in the Senate yesterday?

Senator Hill—To be fair to Senator Coonan, I think we should explicitly refer to the terms of her answer.

Senator FAULKNER—We all heard it.

Senator Hill—If you want to put the terms of her answer explicitly to me, I will respond.

Senator FAULKNER—I am putting it explicitly to you: do you understand the distinction she was drawing?

Senator Hill—As I said, it is now several years since I read the document. I do not recall a distinction within the document between a trading company and a non-trading company.

Senator FAULKNER—So what on earth was she talking about? That is the question.

Senator Hill—You should ask her that.

Senator FAULKNER—I cannot; I am asking you.

Senator ROBERT RAY—She will not answer questions. You know that, you were there.

Senator FAULKNER—You are here; you are dealing with—

Senator ROBERT RAY—She told us to go and look at asset records.

Senator Hill—You can ask me if the document draws a distinction. I have said that, from memory now two-year dated, I do not think it does.

Senator FAULKNER—I am now asking you what on earth Senator Coonan was on about.

Senator Hill—How can I possibly answer that question?

Senator FAULKNER—You have given a clear understanding that you think she is wrong. Did you draw that to her attention?

Senator Hill—Perhaps there was a lack of clarity in the question.

Senator FAULKNER—So the inaccuracy in her answer is due to an alleged lack of clarity in the question. It is the questioner's fault. It is my fault. I asked the question and Senator Coonan got it completely wrong in the Senate. Thanks for that, that is terrific.

Senator Hill—She is a careful and precise person.

Senator FAULKNER—She was carefully and precisely wrong.

Senator Hill—No, I think you have to take up with her her state of mind. You can ask me questions about the document—

Senator FAULKNER—The Prime Minister is responsible for the application of his code of conduct, not Senator Coonan.

Senator Hill—That is correct, the Prime Minister is. If you ask me if the Prime Minister is happy that Senator Coonan has complied with the code, I will seek advice. I have no reason to believe that he does not believe that she has complied with the code.

Senator FAULKNER—Ms Belcher, was there ever any indication at any stage as to whether any former ministers or current or former members of staff of ministers would be indemnified in relation to the matters raised in the children overboard select committee? Did that ever come to the attention of Government Division?

Ms Belcher—Not that I recall.

Senator FAULKNER—Are you aware of any legal advice being sought by Government Division or PM&C on these issues?

Ms Belcher—No, we do not know of any issues being raised.

Senator FAULKNER—What Senator Coonan said in the Senate was:

What I do have to add is that I did not even have an obligation to divest myself of an interest in a shelf company in any event. It is a private company. I did it simply because I wished to have absolutely no potential for any conflict of interest as a director or as a shareholder.

That is not right, is it?

Senator Hill—I guess it depended. Perhaps she was arguing that it was acting as a trustee and that the real issue is the issue of the trust and the investments or the business of the trust rather than the role of the trustee, which can be a shelf company, and basically it has no role of business other than to act as a trustee. Maybe that was the point she was making. The mischief that obviously is addressed by this document is where there is a conflict between investment by an individual and their ministerial responsibility.

Senator FAULKNER—Do ministers under the Prime Minister's code of conduct have an obligation to divest themselves of interests in shelf companies or do they not? Or is this another amendment to the Prime Minister's code of ministerial conduct? Is that an obligation on ministers or not?

Senator Hill—If the business of that company is in the area of their portfolio responsibility. I have given you what you might think is a legalistic explanation of what might have been what she had in mind. Alternatively, what she might have had in mind was that the beneficial interest in this structure was not in conflict with her portfolio responsibility. But you are asking me to explain the answer of another person.

Senator FAULKNER—No, I am not; I am asking you to outline the provisions of the Prime Minister's guide to ministerial responsibility.

Senator ROBERT RAY—You tabled them in the Senate.

Senator Hill—There is no dispute about that.

Senator ROBERT RAY—You were very puffed up when you walked in.

Senator FAULKNER—That was very dramatic in 1996.

Senator ROBERT RAY—In fact, you added to the Prime Minister's speech. You went a bridge too far.

Senator Hill—You read the provision, and I will read it again:

Ministers are required to divest themselves, or relinquish control, of all shares and similar interests in any company or business involved in the area of their portfolio responsibilities.

And ultimately it is for the Prime Minister to interpret that and to act upon it. I gave you two possible explanations for Senator Coonan's answer, but it would be much better for you to ask Senator Coonan.

Senator FAULKNER—The actual explanation is quite simple: she was wrong.

Senator Hill—She is not necessarily wrong. It depends on exactly what she meant by the answer, and I cannot answer that for her.

Senator ROBERT RAY—Senator Hill, is it legitimate to ask these questions of Senator Coonan in her estimates committee, because it goes to her behaviour as a minister? Is that what you are saying?

Senator Hill—To ask them of her in the estimates committee?

Senator ROBERT RAY—Yes. You say, 'Go and ask her.' Is that okay?

Senator Hill—I had in mind in the plenary of the Senate.

Senator ROBERT RAY—I see, at question time. Is that what you are saying?

Senator Hill—That is what I had in mind.

Senator ROBERT RAY—I do remember there is a contingent notice of motion by which we can extend question time, so we can do an extensive round of questions.

Senator Hill—There are lots of ways you could do it. You could set up a special inquiry if you thought it was of such consequence.

Senator ROBERT RAY—We have a couple of other things in mind for that.

Senator Hill—I have given you two possible—and, I think, reasonable—explanations.

Senator ROBERT RAY—‘Beneficial interest’ and ‘conflict of interest’ are two of the keys. Is that what you are saying?

Senator Hill—Conflict of interest is the key. I think the Prime Minister would say that an artificial shield should not be created to avoid that primary responsibility.

Senator ROBERT RAY—So we would have a real problem if this company was trading and trading in areas that impinged on Senator Coonan’s portfolio.

Senator Hill—If the company was trading?

Senator ROBERT RAY—Yes. If the company was not in fact a shelf company but was trading, for instance, and it was impinging on Senator Coonan’s portfolio then there would be a problem, wouldn’t there?

Senator Hill—Maybe there is a debate about what is meant by a shelf company.

Senator ROBERT RAY—A company that is doing business, receiving income and dispersing dividends is hardly likely to be a shelf company, is it? I do not know whether that is the case. But that is certainly not a shelf company, is it?

Senator Hill—It is not what I thought was the likely explanation in this instance. A shelf company can actually become a trading company, depending on the purpose to which it is put. I had in mind that it is more likely a way of expressing that it is a company that does not have a beneficial interest itself.

Senator ROBERT RAY—I think we have managed to outlast Senator Conroy, so we have just picked up half an hour. Has he gone?

Senator FAULKNER—Yes, he has. That was a good tactic. We did well there! Mr Williams, we do not have time in this estimates round—which is probably a relief to all of us, I suspect—to go into a long dissertation on what you have been up to, so that can wait until next year. I am interested in the advertising campaign around the Pharmaceutical Benefits Scheme. Can you give us a very brief status report on that, please?

Mr Williams—To date, all that has occurred in respect of that campaign—if, indeed, it becomes a campaign—is to appoint a market researcher to undertake some developmental research.

Senator FAULKNER—Say that again.

Mr Williams—At this point in time, the only work that we have been involved in is the appointment of a market researcher to undertake some developmental research in respect of this campaign.

Senator FAULKNER—Where is that appointment process up to?

Mr Williams—The market researcher has been appointed. It is a company called Woolcott Research. It has done some research into issues surrounding the PBS and the sort of campaign that might be developed.

Senator FAULKNER—So the research is under way?

Mr Williams—Yes, that is correct.

Senator FAULKNER—What is the value of the contract with Woolcott?

Mr Williams—I do not have the detail of that because that contract is between the Department of Health and Ageing and Woolcott Research. But I can take that on notice or that question can be asked of the Department of Health and Ageing.

Senator FAULKNER—Do you know what the timing was in terms of the appointment of that market research organisation?

Mr Williams—That market research company was selected on 12 June this year.

Senator FAULKNER—So we have not got any agency selected yet?

Mr Williams—No, there has not been a selection of a PR company or indeed an advertising agency at this stage.

Senator FAULKNER—Where is that process up to? Can you quickly say?

Mr Williams—I think it is on hold at the moment until the results of the research are considered.

Senator FAULKNER—Have the MCGC been involved in this particular matter at all—or to what extent have they been involved?

Mr Williams—They were involved in approving a research brief and the list of consultants to be approached. The research company was selected by normal process. A list of public relations companies has been identified and a list of advertising agencies has been identified, but no selections have taken place.

Senator FAULKNER—You said, ‘If indeed it becomes a campaign.’ Does this mean that there is some question mark about the PBS campaign?

Mr Williams—All I am saying there is that it has not been approved as a campaign at this stage.

Senator FAULKNER—But you are currently conducting market research?

Mr Williams—There is research being conducted, yes.

Senator FAULKNER—You are in the process of appointing both a PR company and an advertising agency or agencies?

Mr Williams—I am saying that that process is on hold at the moment.

Senator FAULKNER—Why is it on hold?

Mr Williams—I think the answer to that is that they are awaiting the results of the research to determine what a campaign might look like and what the messages might be.

Senator FAULKNER—For this particular campaign, will you be able to provide us a copy of the research brief?

Mr Williams—I will have to take that on notice. I am not sure whether we would provide it or whether Health would provide it because, in a sense, it is not our brief; it is the department's brief. It is approved by the MCGC, but it is the department's brief.

Senator FAULKNER—I am not going through a whole range of these but if it is not in your possession you might let us know or pass it yourself on to the department of health as a question on notice. I would appreciate that being provided if that is possible.

Mr Williams—Certainly. I will take it on notice and approach the department of health.

Senator FAULKNER—Depending on its status, you might either provide it or follow that matter through with the department of health. Would you do that for us?

Mr Williams—I can do that.

Senator FAULKNER—I appreciate that. The budget is pretty substantial for this campaign. It is fully funded and budgeted for, isn't it?

Mr Williams—The project budget that I saw was about \$20 million. I think it was included in the budget papers for 2002-03, but it is a several years campaign.

Senator FAULKNER—You say that this whole campaign is on hold. Do you know what the budget is for the whole campaign?

Mr Williams—My understanding is that the project budget is about \$20 million.

Senator FAULKNER—But it is on hold because you want to see the results of the research?

Mr Williams—I think it is common practice that, when you are developing a campaign, you do developmental research to identify the community's or the particular target group's knowledge of the issue, the messages that need to be included in an information campaign and the best means of delivering those messages.

Senator FAULKNER—The government has decided what it wants in relation to this campaign, hasn't it? That is how it works, isn't it?

Mr Williams—Governments announce programs and program changes.

Senator FAULKNER—Are you waiting to hear what the results of the research are before the government determines what it wants to say? You are not suggesting that, are you?

Mr Williams—I am suggesting that, when informing a target audience—the entire community or a sector of the community—you need to develop a campaign that will work with that particular target audience.

Senator FAULKNER—What is the target audience?

Mr Williams—I do not have the papers with me, but I assume, given that it is the Pharmaceutical Benefits Scheme, that a very wide proportion of the community use the system. I would imagine it would be all adults.

Senator FAULKNER—Do you have any idea of the timing? You said it is on hold until after the research. When is that phase likely to be completed?

Mr Williams—My understanding is that their research is nearing completion and decisions will be looked at in terms of the outcomes of that research.

Senator FAULKNER—You said it was a \$20 million campaign. I had seen some press speculation that the budget was significantly higher than that for this campaign. But that does not mean it is right.

Mr Williams—That may include some non-communications campaign activities associated with the PBS, but the number I have is \$20,600,000.

Senator FAULKNER—And the elements included in that are PR advertising and research?

Mr Williams—Advertising, PR, research, an Aboriginal and Torres Strait Islander consultant—an Indigenous consultant—and a consultant for people from non-English speaking backgrounds.

Senator FAULKNER—I will look forward to that research brief. Are you aware of the Commonwealth Regional Information Service?

Mr Williams—I am.

Senator FAULKNER—What has your role been in relation to that?

Mr Williams—That was a campaign that came through the MCGC for consideration and approval.

Senator FAULKNER—For what department?

Mr Williams—The Department of Transport and Regional Services.

Senator FAULKNER—Are you able to say how many copies of this regional information booklet were printed?

Mr Williams—I do not have the precise number here with me, but I think it was of the order of 2.6 million. I might stand corrected on that but I think it was of that order.

Senator FAULKNER—Do you know where they were distributed?

Mr Williams—They were distributed throughout regional Australia.

Senator FAULKNER—There were regional TV advertisements associated with this campaign, weren't there?

Mr Williams—There were, yes.

Senator FAULKNER—I have seen those. Were there radio and newspaper advertisements too?

Mr Williams—There were radio and press advertisements. There was also activity on community radio in regional Australia which had non-English-speaking background programming, and there was activity in the Indigenous press as well.

Senator FAULKNER—What is the total budget for this particular campaign?

Mr Williams—The budget for media was \$2.6 million, and my people tell me that \$1.9 million has been spent to date. The overall project budget was \$6.3 million.

Senator FAULKNER—What about the printing of this booklet?

Mr Williams—That would have been included in the \$6.3 million.

Senator FAULKNER—Do you know how many times you would find the word 'drought' in the *Commonwealth Regional Information Book*?

Mr Williams—No.

Senator FAULKNER—In the 2.6 million copies of this 22-page booklet that went out right through regional Australia, how many times?

Mr Williams—I have already said no, I do not.

Senator FAULKNER—Would you be surprised, Senator Hill, to learn that in this 22- or 23-page booklet the word ‘drought’ appears once only, under the heading ‘Climate and weather information’? Would that surprise you?

Senator Hill—I am advised that the booklet covered the whole suite of Commonwealth programs under each of the sectors, such as health, education, social security, Centrelink and so forth. It also included a part under climate.

Senator FAULKNER—Yes, that is on page 8. Let me read the sentence to you.

Senator Hill—I would have thought that the programs in relation to drought relief would appear under that part related to climate.

Senator FAULKNER—No, this is what the sentence says:

The website provides a wide range of information, including weather forecasts, rainfall and drought information and climate outlook reports.

That is it, buried away on page 8 in a 22-page booklet going to all of regional and rural Australia—2.6 million of them.

Senator Hill—The purpose of it was to provide the community with a better understanding of the range of Commonwealth programs that are available.

Mr Williams—That is correct, Minister.

Senator FAULKNER—But where are the drought assistance programs highlighted here?

Senator Hill—Senator Faulkner believes there is insufficient emphasis on drought—

Senator FAULKNER—I am saying there is no emphasis. I am not saying that I believe it is insufficient; I am saying there is no emphasis and, given the priorities and concerns in regional and rural Australia, I was very surprised when I dutifully read this particular booklet—all 22 pages of it.

Senator Hill—It might be that if the book was being written now there would be a greater emphasis on climate related benefits. But the book is not being written now.

Senator FAULKNER—So no-one knows why that is.

Senator Hill—I think I have given a reasonable explanation.

Mr Williams—I think that is correct, Minister. At the time it was written, the book was drafted—

Senator FAULKNER—So when was it written?

Mr Williams—It was drafted earlier this year.

Senator FAULKNER—And when was it sent out?

Mr Williams—It was sent out in early August, I think—I would have to take it on notice to be completely sure.

Senator FAULKNER—If it had been drafted in July and sent out in August it would have had a lot more drought related information in it, would it?

Mr Williams—I think you have read the book, Senator. The purpose of it was essentially to communicate to people living in regional Australia the suite of programs available to people in regional Australia at the time it was written.

Senator FAULKNER—Mr Williams, in the annual report we note that there is a \$51,972 consultancy for Colmar Brunton on customer satisfaction for placement of campaign and non-campaign advertising. Who are the customers here?

Mr Williams—That is correct, Senator. That is an annual survey we do of the customers—and when I say customers I mean departments and agencies that place ads—

Senator FAULKNER—That is what I am asking: who are the departments and agencies?

Mr Williams—The customers are departments and agencies that place advertising through either the campaign master placement agency or the non-campaign—

Senator FAULKNER—What is the reason for this?

Mr Williams—We do it to measure the performance of the providers of those services to the Commonwealth. It is an annual survey.

Senator FAULKNER—I would be very interested in that, Mr Williams. Could I have a copy, please?

Mr Williams—I do not see why that could not be provided. I will take it on notice.

Senator FAULKNER—Thank you very much. That is much appreciated.

Senator ROBERT RAY—I have had a complaint from one or two owners of ethnic newspapers—you do, properly, advertise in them. You base it on their circulation figures. I do not know whether this is just a bit of spite but they say that some of their competitors are inflating their circulation figures in order to qualify for such advertising. Has this been brought to your attention?

Mr Williams—It has been brought to my attention. There was an article in the media section of the *Australian* a couple of weeks ago—

Senator ROBERT RAY—A couple of weeks ago, was it?

Mr Williams—Yes.

Mr Metcalfe—Probably a month ago, Senator.

Mr Williams—I have a copy of the article here—dated 3-9 October.

Senator ROBERT RAY—Who wrote that?

Mr Williams—It was written by Mark Day.

Senator ROBERT RAY—I hate to say it but we may have the same source here and that worries me. What is your response to the assertion made?

Mr Williams—An assertion was made by Mark Day that some ethnic newspaper publishers were overstating their circulation figures. I asked him whether he could provide any substantive or specific information, and he said that he was not prepared to either reveal his source or provide any specific information. I said that without anything specific, it was not more much more than anecdotal evidence and very difficult to act upon. He came back to me

a bit later and said that his source would not be prepared to talk to me but may be prepared to talk to the AFP. I had the matter referred to the AFP through the normal processes, and I am not sure where that exercise has gone from an AFP perspective.

In terms of addressing the substantive issue of Commonwealth advertising in unaudited media outlets—newspapers and magazines—the Commonwealth has a need to advertise quite widely to get its message across both to people from a non-English speaking background and to people in rural and regional Australia. A number of those publications are not subject to audit by either the ABC or the CAB, the independent audit organisations. We have required statutory declarations from publishers of ethnic newspapers for the past couple of years attesting to their circulations. We believe that it is time to move on from that, and from the commencement of 2003 we will continue with a request for statutory declarations from publishers as to the circulations and for printer certificates indicating how many copies are being printed. We will also institute a program of random audits, so we will audit some 20 per cent of the unaudited publications as part of our quality assurance and accountability mechanism. We believe this will give us a true picture of circulations. An alternative could have been to mandate that all publications that we use be audited but, given the revenue from the Commonwealth by some of those publications, it may not be cost effective for them to do so and it may be in the public interest for those magazines and newspapers to carry Commonwealth advertising. So a random audit process of a significant number of them backed by statutory declarations and printer certificates, we believe, will ensure a good—indeed a high—level of accountability for the expenditure of public moneys.

Senator ROBERT RAY—I think that is good progress. When it comes to more mainstream newspapers, do you base your placements on circulation of newspapers or the readership of newspapers, because now companies do both?

Mr Williams—They do.

Senator ROBERT RAY—If you own a newspaper and the circulation is declining, you always highlight the fact that the readership, however, has gone up. When those figures are available, which do you base it on—circulation or readership?

Mr Williams—The more sophisticated newspaper groups stratify their readership so that you know the sorts of readership you are getting. You might be aiming a particular campaign at a particular demographic group, and you will look to see what level of readership that newspaper delivers you in terms of particular demographics. You get more information about the profile of the users of the newspapers from readership surveys, because in a sense circulation just tells you objectively how many papers were sold; it does not necessarily tell you who has read them. You need to rely both on circulation to see that papers are going out the door and on readership to ensure that they are delivering the sorts of profiles that you need for various campaigns. As you go down the food chain, as it were, the smaller newspapers do not do that sort of sophisticated readership survey so you tend to rely on circulation.

Senator FAULKNER—Mr Metcalfe, how many overseas trips has the Prime Minister had this year?

Mr Metcalfe—I will ask Ms Yeend to come to the table, but I think the number is 13.

Senator FAULKNER—Thirteen?

Mr Metcalfe—Yes, but I will double-check. Sorry, I misinformed you; I am told the figure is 10.

Senator FAULKNER—Thank you very much. Would you be able to take on notice what the costs borne by the Department of the Prime Minister and Cabinet were for those 10 trips?

Ms Yeend—I have some information about the costs for earlier trips. The costs borne by the department for those trips that have occurred since July are not all in yet.

Senator FAULKNER—Whatever you are able to provide, and if you would not mind disaggregating it in a reasonable way; I do not want you to go to great lengths.

Ms Yeend—I can do some now.

Senator Hill—Don't they all get tabled in due course anyway?

Ms Yeend—The cost borne by the Prime Minister's department? No, I do not think so.

Senator ROBERT RAY—No they do not. What gets tabled are the costs for the Prime Minister and his entourage, not those from the Department of the Prime Minister and Cabinet who go along with him. That is what we are seeking. Do you understand that? That is never published.

Senator Hill—So what is tabled is his personal staff—

Senator ROBERT RAY—Yes, that is right. His spouse—

Mr Metcalfe—We can either take it on notice or we can respond shortly.

Senator FAULKNER—I think it would be better because of the shortness of time, Mr Metcalfe. I genuinely appreciate Ms Yeend's assistance, but there are a couple of other questions we will be asking.

Senator Hill—So you are asking about the fares and allowances et cetera for departmental staff that accompany the Prime Minister?

Senator FAULKNER—We want the costs borne by the Department of the Prime Minister and Cabinet in relation to those 10 trips.

Mr Metcalfe—We are clear on that.

Senator FAULKNER—I appreciate the point you make, Mr Metcalfe, that some of the more recent costs that may not yet be available.

Mr Metcalfe—Ms Yeend made the point that some costs have yet to come in, but we will do what we can.

Senator FAULKNER—That is understood.

Senator ROBERT RAY—Are there any further trips planned for this year?

Ms Yeend—Not that I am aware of.

Senator FAULKNER—One issue that was raised in a newspaper article about one of Mr Howard's trips—you may be able to help us with this, Ms Yeend—was what appeared to be the significant costs borne by the travelling party. As it turned out they were not all borne by the travelling party; the costs were shared. But this is in relation to accommodation in Rome at the St Regis Grand Hotel. I do not know if you saw the newspaper article; you probably did.

Ms Yeend—I did.

Senator FAULKNER—It was published back in the middle of the year, in July. Are you able to say why it was determined to use accommodation at that particular hotel?

Ms Yeend—I can. The requirements for overseas accommodation for prime ministers have not changed markedly for the last three or four prime ministers. There is a guide for planning that goes out to all of the posts when it is known that the Prime Minister will travel overseas, and one of the basic requirements is that there is a three-room suite. Senator, you would be aware that the trip the Prime Minister undertook to Europe was in peak season and, as usual, we sought the advice of our post in Italy. They advised that, looking at all the usual requirements for a Prime Minister's visit, the St Regis was the most appropriate. There is a little bit more history there in that the suite originally chosen by the office and the department was of a lesser standard than the royal suite but, when the advance party went to Rome and had a look, it was found to be too small because the program in the hotel had expanded. There was to be an investiture and various other things which the other suite could not accommodate at the time and, because of the use of other function rooms in the hotel, there was nothing else available.

Senator FAULKNER—That was a stroke of luck!

Senator ROBERT RAY—This one had a butler on call. Is that right?

Ms Yeend—I am not aware of that.

Senator ROBERT RAY—How about a 'jacuzzi ensconced in marble'? That is how it was described.

Ms Yeend—I was not there. I have not seen the suite.

Senator ROBERT RAY—What about a 'private wine cellar with 850 bottles—'

Senator FAULKNER—'of select cuvee'.

Senator ROBERT RAY—I was not going to say that because I did not know what it meant.

Senator FAULKNER—I think it is some sort of wine, isn't it?

Senator ROBERT RAY—I do not know.

Senator FAULKNER—I do not know. What is it? Senator Hill will help us.

Senator ROBERT RAY—There are two Rechabites sitting on this side.

Senator Hill—It is some sort of wine, I think.

Senator ROBERT RAY—Three!

Senator FAULKNER—I had a dip at that one, I thought. You do not know about that?

Ms Yeend—No, I do not.

Senator FAULKNER—But you would know about the cost?

Ms Yeend—The cost, as I understand it, is not yet finalised because the process is that, for overseas visits, the post ordinarily ends up paying the bills. They eventually find their way to DOFA and they are eventually sent on to the Department of the Prime Minister and Cabinet. We have not seen acquittals for the accounts for the Prime Minister's European trip as yet.

Senator FAULKNER—Are you able to say whether the normal cost is €8,910 a day?

Ms Yeend—I do not have that information with me. I know that that is the amount that was reported.

Senator FAULKNER—Yes.

Ms Yeend—My understanding is that that is of a similar nature to the advice that we had.

Senator FAULKNER—That is around \$A15,000 a day?

Ms Yeend—I do not have the conversions, but it could be of that order. A component of the Prime Minister's accommodation, as he was a guest of the Italian government, would be paid.

Senator FAULKNER—Sure. And the diplomatic costs, which I assume would apply in this instance, are less anyway, aren't they?

Ms Yeend—I am not sure of diplomatic costs.

Senator FAULKNER—I can only go back to that grand journal of record, the *Sydney Morning Herald*. That is what they reported. The article says:

The suite is the most expensive in the hotel, at €8910 a night at the full rate. It also said it was €5,500 for the diplomatic rate.

Ms Yeend—I understand it is talking about a government rate.

Senator FAULKNER—Yes.

Ms Yeend—Yes. I am sorry, it was just terminology. I would have to go back and have a look at the rates that we were advised of by the post at the time. I do not have those with me.

Senator ROBERT RAY—We might have to go over and visit this place with an estimates committee!

Senator FAULKNER—Anyway, let us be clear: the normal cost is €8,910, which would be \$A15,000 a night; and the diplomatic cost is €5,500, or about \$A9,600 a night. Is it true that the Prime Minister's office actually claimed that the rate was much lower than that, that in fact they were paying €3,300 a night, which is down to just a touch under \$A6,000 a night? What a saving! That is \$A9,000 a night.

Ms Yeend—In relation to top-class hotels, it is not at all unusual for there to be a rather large fluctuation in rates, particularly when there is a large party accompanying.

Senator FAULKNER—But the Italian government paid some of the tariff on this, didn't they?

Ms Yeend—Yes.

Senator ROBERT RAY—The Prime Minister stayed there. Did all the rest of the travelling party stay at the same hotel?

Ms Yeend—Yes, they did.

Senator ROBERT RAY—How big was the party?

Ms Yeend—The party for the trip—

Senator FAULKNER—I bet they did not get marble jacuzzis, did they?

Senator ROBERT RAY—They might have. Are you going to ask how many the jacuzzi fitted?

Senator FAULKNER—No, I was not going to ask that. Why don't you ask it if you want to know?

Ms Yeend—There were 24 in the Prime Minister's party.

Senator FAULKNER—As opposed to in the jacuzzi.

Senator ROBERT RAY—Does that include Mrs Howard?

Ms Yeend—It does, and it includes security and officials.

Senator ROBERT RAY—Everyone?

Ms Yeend—Everyone, yes.

Senator ROBERT RAY—Some of those people would have been PM&C funded and some would have been funded by DOFA as the travelling party associated with the Prime Minister?

Ms Yeend—That is correct.

Senator ROBERT RAY—You may not be able to answer this. How many were funded by the Department of the Prime Minister and Cabinet?

Ms Yeend—That is very easy.

Senator ROBERT RAY—The next question will not be.

Ms Yeend—Five.

Senator FAULKNER—I am sure the next question Senator Ray is going to ask is: how many of those 850 bottles of select cuvee remained?

Senator ROBERT RAY—No. Do we have costs for the four nights for those five people?

Ms Yeend—We do not because we have not seen those accounts yet, as I understand it.

Senator ROBERT RAY—Would you like to take that on notice?

Mr Metcalfe—We have taken that on notice in relation to Senator Faulkner's question.

Senator ROBERT RAY—Not quite. I am looking for a specific breakdown for the five people who stayed at this hotel for four days—that is, their accommodation and total costs as picked up by the department. Is that clear? Then I would like the total cost for the other 19 accompanying the Prime Minister. I understand that the accounts are not in and you cannot answer it yet. Clearly, if the accounts do not come in in time, Mr Metcalfe, we cannot expect you to answer it by 17 January. If they are not in by additional estimates we will raise it again. So we want total costs for accommodation, food and anything else at that hotel for the 19 people and the five people.

Ms Yeend—Your question is just specifically related to costs in that hotel?

Senator ROBERT RAY—Yes, not their limo costs or anything else.

Ms Yeend—Certainly.

Senator ROBERT RAY—I imagine that the total costs for the 19 are even picked up in different ways. The Prime Minister and Mrs Howard would have certain entitlements to full coverage and others may be operating under allowances. So you can only aggregate or disaggregate those to the best of your abilities. We will understand that.

Ms Yeend—The department of finance will need to look at some of the costs for the MOP staff and the Prime Minister but I can certainly provide you the—

Senator ROBERT RAY—But they come to you anyway for verification, as I understand it.

Ms Yeend—No.

Senator ROBERT RAY—They always come too late, when your memory is gone.

Ms Yeend—No, they do not.

Mr Metcalfe—This is an issue that came up this afternoon in terms of what we pay for and what Finance pay for.

Ms Yeend—Yes.

Mr Metcalfe—I just want to be quite clear as to what is within our domain and what is within Finance's domain.

Ms Yeend—In relation to hotel costs, the Department of the Prime Minister and Cabinet would see only the hotel costs of Department of the Prime Minister and Cabinet staff and we would also see the Prime Minister's personal accounts because they come through us for acquittal. We do not see accounts for hotels or other acquittals for any of the other MOP related staff.

Senator ROBERT RAY—Well, I am asking you to cooperate in an interdepartmental way to get an answer for us.

Ms Yeend—Certainly.

Senator FAULKNER—A lot of this is driven by jealousy, isn't it, because the journalists stayed at a hotel that was €440 a night—

Senator ROBERT RAY—Noblesse oblige.

Senator FAULKNER—as opposed to the normal cost of the royal suite at €8,910 or \$A15,000 a night? What do you reckon?

Senator Hill—It seems that we do not know what the cost was. It seems that there is a range of costs: a rack rate, a diplomats rate and specially negotiated rates. At the moment we do not know what it cost.

Senator ROBERT RAY—I would not want to be paying out €440 a night.

Senator Hill—Not that I know a lot about accommodation in Rome, but I would have thought you would get reasonable accommodation for that. That is \$700 or \$800 a night.

Senator ROBERT RAY—Exactly.

Senator FAULKNER—We will be able to get to the bottom of it when we get the answer to those questions on notice. The other thing I wanted to raise with you, Ms Yeend, is the issue of the Prime Minister's trip when he went to the Queen Mother's funeral. I read an article which was mildly critical of the way that the Prime Minister was treated there. I was a bit concerned when I read it because apparently he was snubbed. Was it true that the car trip to the funeral service was originally going to be in a bus?

Ms Yeend—I would have to go and ask the officer who accompanied on that particular trip. My understanding at this stage—I would have to confirm—was that all Commonwealth heads of government or representatives were gathered in one particular place and taken to the cathedral.

Senator FAULKNER—Yes, but didn't they plan to bundle our Prime Minister into a bus and didn't the high commissioner have to intervene to make sure it was a car?

Ms Yeend—I am not aware of that.

Senator FAULKNER—It was reported in another highly reliable—

Senator Hill—Was it the *Sydney Morning Herald*?

Senator FAULKNER—It was another newspaper article; another very reliable source.

Senator Hill—I do not think the Prime Minister believed he was snubbed.

Senator FAULKNER—What were the seating arrangements at the funeral?

Ms Yeend—The seating arrangements?

Senator Hill—Are you suggesting he was not close enough to the front or something?

Senator FAULKNER—I am suggesting there may have been a problem with the seating arrangements.

Senator Hill—Behind the family or something like that?

Senator ROBERT RAY—I think you will find he was way back; not with a full line of sight, according to this article.

Senator FAULKNER—Is that right?

Senator Hill—I have not heard any complaint from the Prime Minister, but I am sure he would be touched that you are so concerned about this matter.

Senator ROBERT RAY—Next time he had better let the Governor-General go.

Senator FAULKNER—It is a serious point, because it has been raised in the *New Statesman*. I am sure you will appreciate that, Senator Hill, when you read the *New Statesman*. You would be as concerned as I am that Mr Howard did not have a complete view of the proceedings. Can someone confirm that?

Ms Yeend—That might be difficult immediately to confirm as the seating in the cathedral was limited and my understanding is that the visits officer from the department would not have been included.

Senator Hill—I do not think those—

Senator FAULKNER—But this was seen by some to be a snub. Was it true that Mr Howard had to wait two hours in the church before the funeral began?

Senator Hill—I do not understand the point you are making.

Senator FAULKNER—I will have to refer you to the *New Statesman* of 24 June 2002.

Senator Hill—It may have been a fun piece in the *New Statesman*. But (a) you do not necessarily go to a funeral to get a view; (b) churches of that type are not well constructed for a view; (c) for security and other reasons you would expect to be getting there early; and (d) presumably arrangements are made in relation to transport to cover the security aspects, the organisational aspects and everything else. There has been no complaint that I know of from the Prime Minister.

Senator FAULKNER—When the Prime Minister of Australia, the Prime Minister of Canada—

Senator Hill—There would probably be better things for this committee to be doing tonight than this.

Senator FAULKNER—I do not know. It was reported that—

Senator Hill—In some ways I guess it is comforting that this is the big issue of the day.

Senator FAULKNER—No, this is not the big issue of the day, but I was hoping you could give us an assurance that it is not true that the Prime Minister of Australia, the Prime Minister of New Zealand and the Prime Minister of Canada were told that they were going to have to board a bus to be taken to Westminster Abbey and that only strenuous objections from high commissioners secured them permission to travel in cars.

Senator Hill—I can give you an assurance the Prime Minister did not regard himself as being snubbed.

Senator FAULKNER—They were seated some rows from the front with an incomplete view. Is that right?

Senator Hill—I have no idea, but the point is that it is inconsequential—and I am sure that would be the view of the Prime Minister.

Senator ROBERT RAY—Do you think it was right for him to have to sit there for two hours and much later because of the antiquated laws of precedence? Grand Duke Henry of Luxemburg, King Michael of Romania and Prince Ernest-August of Hanover came in much later. He just had to sit there for two hours.

Senator Hill—I would be surprised if he had to sit there two hours waiting. It was a royal funeral, there is protocol and you respect the protocol in those circumstances.

Senator FAULKNER—The blurb of the article in the *New Statesman* was:

The royals' revenge: John Lloyd—

I interpolate here, Senator Hill, that he is the journalist—

reveals the full story of the funeral of the Queen's mother and how, to the fury of three Commonwealth Prime Ministers—

ours included—

it put elected politicians firmly in their place.

John Lloyd also said:

This was a perfectly organised **snub** visited on elected men and women by the most cunning royal house in the world.

Senator Hill—I think it got a re-run in the Australian media, because I remember reading it.

Senator FAULKNER—If no-one can answer those questions about where the Prime Minister sat, whether they were trying to get him to the cathedral in a bus, whether he had an incomplete view of proceedings and whether he was told to go into the cathedral two hours before the proceedings started, can someone tell me—and I think you could do this, Ms Yeend—if Mr Howard got to chat to any members of the royal family during his visit?

Senator BRANDIS—Who cares?

Senator Hill—This is the big issue of the night.

Senator FAULKNER—I bet Mr Howard does. I will pass on to Mr Howard that you, Senator Brandis, do not care. He is used to you undermining him.

Senator BRANDIS—I just think this is such a ridiculous line of questioning, if I may say so—with all due respect.

Senator ROBERT RAY—It is a bit like you two people touring outback Queensland—

Senator BRANDIS—Not with King Michael of Romania!

Senator ROBERT RAY—and telling Peter Costello he had to ride a bike.

Senator Hill—You have got to the bottom of the barrel and you are scraping to fill in time.

Senator FAULKNER—Did the Prime Minister get to meet any members of the royal family on the trip?

Ms Yeend—All I can say is that, while the Prime Minister had a number of discussions with other Commonwealth leaders, there is nothing in the program to indicate that he had a meeting with any member of the royal family.

Senator FAULKNER—So he goes to the Queen Mother's funeral and he does not get an opportunity to directly pass on his condolences to the royal family? That is the case, is it?

Senator Hill—What do you mean? Did he go and see the Queen?

Senator FAULKNER—He did not meet up with any of them, did he, on the whole trip? But he did get to the funeral two hours in advance of the service starting—fortunately in a car, not in a bus—and had an incomplete view of the ceremony.

Senator Hill—I do not think he went there with the purpose of meeting up with the royal family.

Senator ROBERT RAY—We will move on, I think.

Senator BRANDIS—Don't tell me Fidel Castro was not there.

Senator ROBERT RAY—I wish you would stop undermining the Prime Minister by laughing, Senator Brandis.

Senator FAULKNER—We know about your bus trip.

Senator BRANDIS—I was laughing at you, Senator Faulkner.

CHAIR—Senator Ray, do you have some sensible questions?

Senator ROBERT RAY—We were hoping the inspector-general could come for a little while, and then Senator Crossin has some questions concerning the status of women.

Senator Hill—You could not have another question after that.

Senator FAULKNER—Senator Hill, there are one or two questions which, in the interests of the hour, I will place on notice, along with those other important issues about the funeral and the fact that the Prime Minister was snubbed by the royal family. Every royal house in Europe snubbed him.

Mr Metcalfe—Senator Ray mentioned the inspector-general. Did he also mention OSW?

Senator ROBERT RAY—Yes.

Mr Metcalfe—Have you finished with the department?

Senator ROBERT RAY—The inspector-general is not going to take long.

CHAIR—I have just been told that the inspector-general is on his way.

Senator FAULKNER—There is one issue I would like taken on notice, if you would not mind, Mr Metcalfe. I will not go into detail. There was one outstanding issue from the Select Committee on a Certain Maritime Incident to the Department of the Prime Minister and

Cabinet. It relates to a DFAT cable on SIEVX. I wonder whether—without going into any detail, given that that committee no longer exists—that could be taken on notice at this committee and provided when you are able to?

Mr Metcalfe—The answer is yes.

Senator FAULKNER—It may be prepared by now.

Mr Metcalfe—We will take it now as a question on notice from this committee.

CHAIR—That is it, Mr Metcalfe, for the department, except for the Office of the Status of Women. Then we will look at the Office of the Inspector-General of Intelligence and Security.

[10.46 p.m.]

PARLIAMENT

In Attendance

Senator the Hon. Paul Calvert, President of the Senate
Department of the Senate

Mr Harry Evans, Clerk of the Senate

Ms Anne Lynch, Deputy Clerk of the Senate

Mr Cleaver Elliott, Clerk Assistant (Procedure)

Dr Rosemary Laing, Clerk Assistant (Table)

Mr John Vander Wyk, Clerk Assistant (Committees)

Ms Andrea Griffiths, Usher of the Black Rod

Mr Joe d'Angelo, Chief Finance Officer

Department of the Senate

CHAIR—I welcome the President of the Senate, Senator Calvert, and officers of the Senate. I apologise for such a late start this evening, but thank you very much for attending. Mr President, would you like to make an opening statement?

The PRESIDENT—This is my first estimates hearing, so I would hope that you would forgive any lack of knowledge that I might have. The only other thing that I would like to say is that I am a little disappointed in the way that this has turned out. I will fit in with any order of the program that you would want. I understand that it was because of other portfolios that we were shunted off to this time of the night, but it would have been nice if we had been contacted or consulted. That is the only complaint that I have.

CHAIR—I understand that.

The PRESIDENT—I am more than happy to fit in with any arrangements you make. The reality is, I understand, that in the past the parliament always comes first. I do not mind if it comes last, as long as we know.

CHAIR—Mr President, I take that on board. You are quite right, and we will do better next time.

Senator ROBERT RAY—It might be good if we remind ministers that there are set times for estimates hearings and they should make themselves available. This whole program was rearranged to suit ministerial convenience on this occasion. There is no disrespect meant to the President or the department. So you might speak to some of your colleagues and suggest that, when the advance program is put out a year in advance, they mark it off in their diaries and make themselves available all day.

Senator FAULKNER—I will address my first question to the Clerk. Mr Evans, I raised with the Department of the Prime Minister and Cabinet the woeful handling of the Centenary Medal. I asked whether there had been any involvement of parliamentary departments. I would be interested to know whether the President or the parliamentary departments were involved. The Department of the Senate, I suspect, would be more involved in this, given that we are not celebrating 100 years anymore, we will be celebrating 102 years by the time the medals are awarded. What, if any, involvement have you had? What level of cooperation have you had from PM&C on this?

The PRESIDENT—Perhaps the Clerk could answer that. I have had a brief on it. You understand that there are 25 medals for the Presiding Officers.

Senator FAULKNER—Yes.

The PRESIDENT—I think the former President approved the list on 7 May.

Senator FAULKNER—In what year?

The PRESIDENT—This year. It was then provided to the Centenary Medal secretariat within the Department of the Prime Minister and Cabinet. On 8 November, I understand, in response to an inquiry from the Joint House Department about the progress, the Centenary Medal secretariat advised that sounding letters to proposed recipients had not gone out because clearance processes for general list nominees were not complete. That might help you.

Senator FAULKNER—That is pretty unsatisfactory, isn't it, Mr President?

The PRESIDENT—I have not had much to do with it, quite frankly.

Senator FAULKNER—Okay. Perhaps Mr Evans can help us.

Mr Evans—The Presiding Officers were advised in February 2000 that the medal had been approved by the Queen. In the course of 2000, the Presiding Officers were provided with guidelines for the award of the medal and were asked for nominations. The departments put in a process for gathering nominations, and an initial set of nominations was provided to the Presiding Officers early in December 2000.

The PRESIDENT—All living former speakers and former presidents as at 2001 will be on the list.

Senator FAULKNER—Mr Evans, to whom did you provide those nominations in December 2000?

Mr Evans—The Presiding Officers.

Senator FAULKNER—How many did you recommend or suggest?

Mr Evans—We were working on the same figures as the President mentioned then. The Presiding Officers had a quota of 50 to award—25 each. We were asked to provide nominations—

Senator FAULKNER—Did you provide advice on 25 Senate nominations, or was it broader?

Mr Evans—The parliamentary departments provided 48 nominations overall, as I recall.

Senator FAULKNER—What happened then?

Mr Evans—Nothing happened until mid-2001, when the Department of the Prime Minister and Cabinet asked for further information about the nominations.

Senator FAULKNER—Did you give it?

Mr Evans—Yes, we provided that further information. There was some advice at the end of 2001 about some changes to the way in which the whole thing was being processed. We then reviewed the nominations, and an updated list of nominations was provided early in 2002. As the President said, the final nominations went forward in April 2002 and were approved by the Presiding Officers in May 2002.

Senator FAULKNER—What were the changed guidelines?

Mr Evans—I do not recall, if I ever knew, what the changes were. As far as we were concerned, the nominations were basically the same.

Senator FAULKNER—Did you express any concerns about this? It seems completely hopeless.

Mr Evans—Throughout that period I kept asking what had happened to the whole scheme.

Senator FAULKNER—Were you yourself a nominee?

Mr Evans—After the initial list of departmental nominees was provided, the Presiding Officers decided that each of the parliamentary department secretaries would be given one of these medals.

Senator FAULKNER—I would congratulate you if you had actually received the centenary medal. You will probably get it about two years after the Centenary of Federation, if at all, the way it is going.

Mr Evans—So it seems.

Senator FAULKNER—Have the other people on the list been informed? I hope they are all still alive.

Mr Evans—I cannot guarantee that. No, they were not informed that they were being nominated. The nominations were confidential at that stage.

Senator FAULKNER—Have they been informed since?

Mr Evans—Not by our department, in any case.

Senator FAULKNER—Is it fair to say that this is a bit of a debacle?

Mr Evans—As I say, over that period from time to time I did ask what had happened to the whole thing, but I did not really get any explanation.

Senator FAULKNER—Is it any clearer now?

Mr Evans—No.

Senator FAULKNER—Join the club.

Senator ROBERT RAY—Is Senator Conroy on the list for his services in FOling the President's trips? Do not answer that.

The PRESIDENT—I understand that the process here is similar to that for other awards.

Senator FAULKNER—No, it is not.

The PRESIDENT—My understanding is that nominations are provided in confidence and that processes for the recipients to be notified have still not been completed, as the Clerk has said.

Senator FAULKNER—The problem here, with respect, Mr President, is the fact that the Centenary of Federation was in 2001. The plan was to do this, as I recall, on about 9-10 May 2001, and have it all finalised and locked away. That was my understanding. Anyway, regardless of that, it certainly should have occurred in the Centenary of Federation year; if it could not be done in the right month, we will extend it to the whole year. These are not going to be awarded, at best, until early 2003. So it is a Centenary of Federation medal plus two years. That is why I say it is a debacle.

Moving on to a more serious issue, I do not think any of the senators on this side of the table intend to raise a range of security issues. Mr President, you understand why that is the case, as does the Clerk, because these matters have been raised privately in the Staffing and Appropriations Committee. There are a range of issues that we believe are not appropriate to be raised in this more open forum and which are being seriously addressed elsewhere. There are one or two issues that I particularly want to raise. One that did get some publicity was in relation to what was described in the *Canberra Times* as an anthrax scare at Parliament House, which you would be aware of, which is something that occurred a week or so ago. There have been some concerns expressed about how that matter was dealt with and handled. Are you able to indicate to us as a result of that particular scare if there were any lessons learnt in terms of how any future incident might be dealt with?

The PRESIDENT—I have written to the ACT Chief Minister. I was a little concerned that, because it occurred after hours, the substance could not be processed until the next day. The person involved was sent home without any knowledge of whether this particular substance was what it may have been. I thought that was certainly not the right way to go about it and I have written to the Chief Minister about that. I think it was pretty poor. There needs to be a reminder to people in the building here of the processes that are in place. I think the Black Rod has matters in order but people need to be reminded of what the protocols are for when something like this happens. I think there may have been some confusion at the time.

Ms Griffiths—The fire brigade said that the way the security staff handled the situation was very good, but there were a couple of things that could probably be improved. Mr Peter Crowe, who is assisting Mr Bolton in the Joint House Department, has been liaising directly with the Security Controller and he may be able to add a little more. The fire brigade came and debriefed the staff a few days later. As the President said, we were concerned about the delay in that the substance was not able to be tested that night, but the fire brigade downgraded the threat after they had been on the phone with the people from the department of health and had described the substance. So they made an assessment that it was safe for everyone to go home.

Senator ROBERT RAY—How far from the incident was Senator Heffernan's office?

Ms Griffiths—The thing was opened in SG 39 so he was quite some distance away: 20 metres down the corridor.

Senator ROBERT RAY—Do you think it was strange that he and others were not informed that there was a problem?

Ms Griffiths—Yes. I thought they were.

Senator ROBERT RAY—But they were not, were they?

Ms Griffiths—No. They would have come out and the corridor would have been barricaded until they could determine whether or not it was safe for people to go through and to turn the airconditioning on.

Senator ROBERT RAY—Senator Faulkner raised the question of what you have learnt out of this. I thought one of the things to learn out of it was to keep neighbours—those people in the immediate neighbourhood—informed. They were all uninformed about what was happening.

Ms Griffiths—I think the Deputy President was informed because he was in close proximity, but, yes, that is something we will take on board.

Senator FAULKNER—Has the testing of the substance and all that been completed now?

Ms Griffiths—Yes, and it was found to be some of the fabric or fibres that had come off the paper that was used in the magazine.

Senator FAULKNER—So it was actually the same substance—it was in paper, wasn't it?

Ms Griffiths—Yes.

Senator FAULKNER—And it was paper?

Ms Griffiths—Yes.

Senator FAULKNER—So that is good news. And are there any other outcomes from this? Is there any change to procedures or processes as a result?

Ms Griffiths—They said the substance was harmless. I had heard it was part of the paper fabric so I am not sure what it was.

Senator FAULKNER—Anyway, that is good news. It is a harmless substance.

Ms Griffiths—Peter Crowe is working with the Security Controller. I do not know what the final outcome is, but we will certainly have better procedures in place for the next time it happens.

Senator FAULKNER—Let us hope it does not happen again, but, if it does, the key thing to do in this case is to improve, where it is possible, the communication and the procedures. I suppose there is nothing better than an alert to actually test how effective they are.

Mr Evans—I think part of the problem was that the person who received the item carried it out of their office and thereby enlarged the area that had to be dealt with. That was part of the problem; as the President said, that can be overcome by having people more informed about what they are to do if they encounter something like this.

Senator FAULKNER—I am sure what you say is right. But that is a very natural human reaction in these circumstances and, even though advisory notices go around and people are counselled about it, nevertheless you do get those sorts of human reactions and it is quite understandable in those sorts of circumstances.

Mr Evans—Yes, and I think people have to be more familiar with what is the right thing to do in the situation.

Senator ROBERT RAY—I turn to the Podger review, which is before the Appropriations and Staffing Committee. I will not pursue it here tonight, but is it possible, Mr President, to agree to table Mr Evans's letter to that committee, because I have got quite a few colleagues who have asked what the Clerk's view is on the Podger report? Can we have that tabled?

The PRESIDENT—As you would know, it is a submission to the committee and it is really up to the committee to decide what they do with submissions, whether they are from the Clerk or anyone else. If that submission from the Clerk was okayed by the committee to go out, I would not have a problem, but I think we would have to meet as a committee to allow that to be distributed.

Senator ROBERT RAY—You say that it is a submission to the committee. We are not doing an inquiry.

The PRESIDENT—The Appropriations and Staffing Committee—

Senator ROBERT RAY—We can put matters before it but we are not holding an official inquiry into it.

The PRESIDENT—I thought that we were going to make a recommendation on the matter and my understanding is that the Clerk addressed that letter to the committee. If it has to be released, I think the committee should make that decision.

Senator FAULKNER—I think he did address it to you as chair of the committee.

Senator ROBERT RAY—Everyone is just going to have to wait a couple more weeks.

The PRESIDENT—Yes, I think so.

Senator ROBERT RAY—Whose decision was it to table the security aspects of the Podger report in the Senate?

The PRESIDENT—It was a decision made by the Speaker and me. If you look at the statement I made, I think we said that.

Senator ROBERT RAY—If you look at the *Hansard* of the previous Senate hearings on the Department of the Senate, Senator Faulkner raised this question and put in a caveat or warning that it may not be a good idea. Was consideration given to not tabling it?

The PRESIDENT—No. My recollection was that, because of changed circumstances with security since September 11, the Speaker and I decided to press on with improving security posthaste.

Senator ROBERT RAY—So you should have, and we endorse that. However, I am sorry, but that was not the question. It was the tabling of that aspect of the Podger report that went to security. I do not have the *Hansard* in front of me although I did mark it up this morning. Senator Faulkner raised the question that it may not be wise to publish it in the Senate before it went to the Appropriations and Staffing Committee and all remedial action was taken.

The PRESIDENT—I think the commissioner amended it. Mr Podger amended it, didn't he? Yes, I understand that the commissioner took out some of the references and set that out in a letter that he presented to us, I think.

Senator ROBERT RAY—Were you happy with the article in the *Financial Review* about security in Parliament House?

The PRESIDENT—Which article was that?

Senator ROBERT RAY—It was in a Friday *Financial Review*.

The PRESIDENT—Last Friday's?

Senator ROBERT RAY—No, about two or three weeks ago.

The PRESIDENT—The one talking about the car park and being able to drive in and all the rest of it?

Senator ROBERT RAY—Yes.

The PRESIDENT—Any articles that draw attention to security at Parliament House are, in my opinion, not productive. As you know, the recommendations were to improve the security arrangements and that was pointed out in the Podger report. The Speaker and I have tried, as much as possible, to improve security in a short time. My predecessor and the Speaker decided to set up the interim security management board to ensure that there were

more efficiencies as far as security was concerned. After becoming President, one of the things I discussed with my staff and with the Speaker was security in total. As you would know, Senator, it is a matter that has been raised with me by many of my senator colleagues from both sides of politics. They have raised their concerns about security here. It is a very difficult problem that we have.

Senator ROBERT RAY—I was not that interested in pursuing what you are answering now. I would just say that the act of tabling that section of the Podger report on security led to that *Financial Review* article that was less than helpful. That was the point I was making, but we will move on.

Senator FAULKNER—There was an article in the *Herald Sun* on 11 October this year about a serious car accident in the underpass at Parliament House. I am sure you would be aware of that, Mr President. There were concerns that there was inadequate checking and reporting of this accident. I wondered whether there has been any assessment in terms of Parliament House security or any other administrative level in Parliament House of the handling of that particular matter and, if so, what the outcomes might be.

The PRESIDENT—There was an obvious deficiency there from APS. Why they did not report the matter to the Federal Police is beyond me. It was not a very good situation at all. That person, from what I read in the paper, was in the vehicle for three or four hours. If things had worked correctly through APS, someone should have investigated the incident. I read what happened and I think the Black Rod would probably know a bit about it too. We were concerned that there seemed to be some deficiencies in reporting, when you suspect something like that and it just was not passed on—and it should have been. I think that is something that may have been corrected since then. The APS, who are responsible for the outer perimeter, hopefully will not let that sort of thing happen again. It was very unfortunate.

Senator FAULKNER—Yes. The underpass itself is not in the security precinct at Parliament House, is it?

The PRESIDENT—I understand that the standing orders have now been changed. The officer on duty was concerned that it might have been a diversion.

Senator FAULKNER—I am sorry, could you say that again. The standing orders have been changed?

The PRESIDENT—Yes.

Mr Evans—Not the Senate standing orders.

Senator FAULKNER—I was going to say: Mr Evans, you have pulled a swiftie there!

The PRESIDENT—Not the Senate standing orders, the standing orders of the APS. The reason was that they believed they could not leave the area that the patrol was in, but now that has been changed. The officer on duty, I understand, was concerned that what happened might have been a diversion. From now on the officers are expected, if there is anything like that, to contact the Federal Police, which should have happened at the time. It would be too easy, wouldn't it, when you think about it: one phone call would have solved the problem.

Senator FAULKNER—So there has been a change to procedures as a result of this?

The PRESIDENT—Yes, there has, I understand.

Senator FAULKNER—I do not know whether this is in your area of responsibility, Ms Griffiths, but I wondered if there were any security issues surrounding the visit of the Chairman of the Chinese National People's Congress to the building on 16 September 2002.

Ms Griffiths—I am sure there were, Senator. I will have to ask the Security Controller to come up and answer that. He was coordinating that.

Senator FAULKNER—Did you hear my question, Mr Lucas?

Mr Lucas—Yes I did. Obviously it was a very important visit and was regarded as very important. A number of security agencies were involved in the visit. We were one of them. We conducted our security plans in accordance with a visit of that standard.

Senator FAULKNER—I am asking a deliberate question here: were there any security incidents occurring at that time?

Mr Lucas—I beg your pardon, I did not hear the word 'incidents'. No, not that I can recall. I understand the visit went very well.

Senator FAULKNER—I see. So you do not know of any?

Mr Lucas—Not that I can recall.

Senator FAULKNER—Was there anything that occurred in the galleries surrounding the Members Hall at Parliament House on that evening?

Mr Lucas—Yes, there was a minor incident in relation to a member of the House—

Senator FAULKNER—A member of the House of Representatives?

Mr Lucas—I understand so, yes. It was a minister, in fact, who was not a guest at the function that was held in the Members Hall. I understand that the minister had come from his office to perhaps have a glance at the function below. He was on the second floor of the terrace over the Members Terrace.

Senator FAULKNER—This was a minor security incident, was it?

Mr Lucas—Very minor.

Senator FAULKNER—Who was the minister?

Mr Lucas—Minister McGauran.

Senator FAULKNER—I could have predicted that. What did he do?

Mr Lucas—He came from behind the security officer who was providing perimeter security on the second floor balcony, and attempted to look over the balcony down at the activities below, surprising the security officer. I understand the security officer took him by the elbow, until the minister turned around and he recognised him.

Senator FAULKNER—What happened then?

Mr Lucas—There was a brief discussion and the minister left.

Senator ROBERT RAY—I find it very hard to understand that anyone would recognise him. Obviously he was not from the Gippsland electorate. There was a bit of verballing between the two, though, wasn't there?

Mr Lucas—I understand the security officer stated that he was sorry he did not recognise the minister immediately, having come from behind him. That was virtually the extent of the conversation, as I understand it.

Senator FAULKNER—Oh, really? What did Mr McGauran say?

Mr Lucas—I must admit I cannot recall. It was something along the lines of—

Senator FAULKNER—You wrote a note about this, didn't you, and sent it far and wide in Parliament House?

Mr Lucas—I did not send it far and wide. I did provide advice to the Presiding Officers because I—

Senator FAULKNER—I would like to know what that note says about what Mr McGauran said.

Mr Lucas—I honestly cannot recall. I will have to refresh my memory.

Senator FAULKNER—We will move on to another issue, but would you mind getting hold of that note. I would like it to be tabled if it is possible, if there is no security issue involved. You have told us it is only a minor matter. It would be useful for that to be tabled before the committee so we could be assured that that is the case. Is there any problem with that being tabled, if the issue is as you say?

The PRESIDENT—We will table it.

Senator FAULKNER—Thanks very much. We might come back to you after it has been tabled.

Senator ROBERT RAY—On security issues—Senator Faulkner has probably got this, because he has this great filing system—I read somewhere that there was a big punch-up in the ministerial wing, causing damage. Is that right?

The PRESIDENT—I believe so.

Senator ROBERT RAY—What was the extent of the damage?

The PRESIDENT—I would not say it was a huge punch-up.

Senator FAULKNER—It was a fist fight. That is what we say these days, isn't it?

Senator ROBERT RAY—I understand someone went three rounds and put him away in the fourth. Is that not right?

The PRESIDENT—There was an altercation and some damage was done to the wall, I believe, of the stairwell.

Senator ROBERT RAY—So you have repaired the wall?

The PRESIDENT—The wall has been repaired and the people involved have paid for it.

Senator ROBERT RAY—How much was the damage?

The PRESIDENT—I think it was about \$548.

Senator FAULKNER—The cost was shared between the pugilists?

Senator Hill—There was a tiny mark on the wall.

The PRESIDENT—It is Parliament House.

Senator FAULKNER—You saw it, Senator Hill, so you can fill us in on this one, even though you should not be sitting at the table while the parliamentary departments are here.

Senator Hill—It was a matter of honour.

Senator FAULKNER—You are always helpful, aren't you? You always come to life at the appropriate time.

Senator Hill—I am not actually here.

Senator ROBERT RAY—Was this a fight between the wets and the dries in the ministerial wing? Is that what it was about?

Senator Hill—This was over a woman.

Senator ROBERT RAY—Oh, really?

Senator FAULKNER—That is okay then!

Senator ROBERT RAY—We are all macho here! You are allowed to fight about sheilas!

Senator FAULKNER—That explains it. Let's move on to the next issue.

The PRESIDENT—I understand that one staffer was forced against the wall, resulting in a section of the gyprock being damaged. The Joint House Department was responsible for the repairs, which cost \$578.

Senator FAULKNER—There were two people involved in this altercation were there, Mr President?

The PRESIDENT—Yes, there were.

Senator FAULKNER—We will not embarrass you by asking you to name them.

The PRESIDENT—Honestly, I do not know their names.

Senator FAULKNER—No, but that would not stop me. I do not want to embarrass you, or them for that matter.

Senator ROBERT RAY—Hold on, I did ask whether this was a battle between the wets and the dries. Now I notice that there are two South Australian ministers from different factions.

Senator FAULKNER—I thought you realised.

Senator ROBERT RAY—No, I did not realise. It was a shot in the dark!

Senator FAULKNER—You are onto them.

Senator ROBERT RAY—But it was not Senator Hill. That is good.

Senator HILL—It was outside my door though.

Senator FAULKNER—Did you come out and separate them?

The PRESIDENT—It certainly was not a factional feud, I can assure you of that.

Senator FAULKNER—We will not go into heavy-handed factional fights at this hour of the night. I would not know anything about them myself. Did they share the costs equally?

The PRESIDENT—My information is that the staffer in question presented a cheque for \$578 to the Joint House Department and was issued with an official receipt.

Senator FAULKNER—This is user pays?

The PRESIDENT—I guess that is the case.

Senator ROBERT RAY—But it is not tax deductible, is it?

The PRESIDENT—No. I do not know whether there was GST on it either. But it has certainly been paid and the damage has been repaired.

Senator FAULKNER—Fair enough. Have we got a copy of that letter or document from Mr Lucas yet?

Senator ROBERT RAY—He is not here. He has gone to get it, probably. We are going to have to fill in for a couple of minutes until it is here. What was the situation with the Greenpeace invasion of the flagpole? Why did that occur and what steps have we taken to prevent such an incident occurring again? This is not really a specific security question in that sense, Mr President, but it was a well-publicised incident.

Ms Griffiths—Mike Bolton may want to add something later. I do not know whether they have been done yet, but there will be some changes to the flagpole hoist so that people cannot get up there now.

Senator ROBERT RAY—That is good. Pre-emptive action has been taken.

Senator FAULKNER—I read an extremely worrying story in the *Canberra Times* about the blocked sewer elbow in the House of Representatives. Everyone on our side of the house was delighted that it was the House of Representatives sewer that was blocked, not the one on the Senate side.

Senator ROBERT RAY—We just block legislation.

Senator FAULKNER—These are fillers, Mr President, until Mr Lucas gets back. I was terribly concerned—and I know Senator Ray was—about these air pockets in the parliament's plumbing system. We read in the newspaper that there was a difficulty with the 'flusherette' system. Can you assure me, Mr President, that this would never happen on the Senate side of the building? There was a great rush of people from the House of Representatives side who came over to share the Senate's toilets.

The PRESIDENT—I am not an expert on plumbing. I know there is always a lot of air floating around on our side of the parliament, but I am sure that these matters are well in hand with the maintenance group.

Senator FAULKNER—Well in hand? So the key question to you, Mr President, is this: has a flusherette elbow ever failed on the Senate side?

The PRESIDENT—I would not have a clue.

Senator FAULKNER—Were any innocent bystanders hit or affected in any way during this incident?

The PRESIDENT—Perhaps you could explain to me what a flusherette is.

Mr Evans—If they were on the House of Representatives side of the building, they could not have been innocent, Mr Chairman.

CHAIR—Thank you, Mr Evans.

Senator BRANDIS—It was not in the office of the Clerk of the House of Representatives was it, Mr Evans?

Mr Evans—I would have heard about it if it had been.

Senator FAULKNER—Mr President, I could go on about these important issues but it may be better to go to Mr Blick. I ask if we could briefly return to Mr Lucas when he comes back. The other officers can be discharged.

The PRESIDENT—I said I have given a commitment to table that.

Senator FAULKNER—There may be issues arising from that.

The PRESIDENT—There may well be. Mr Chairman, do you want the Joint House officers? I know you do not require the library officers but—

Senator FAULKNER—I was going to say that the rest of them could be discharged and we could move to Mr Blick and quickly come back to deal with that other matter.

Mr Evans—Are there any questions for the other parliamentary departments?

CHAIR—No, I do not think there are.

Senator FAULKNER—That is what we are saying, Mr Evans.

Senator ROBERT RAY—There are, but we are not going to ask them. I suppose that is the accurate answer.

CHAIR—Sorry, Mr Templeton and others; you are not required.

Senator FAULKNER—Hang on. We did discharge the Parliamentary Library through the Acting Chairman, Senator Chapman, some eight hours ago. So if Mr Templeton was not informed, I think—

Senator ROBERT RAY—He would be here for Hansard.

Senator FAULKNER—I hope you were informed.

Mr Templeton—I was informed, Senator.

Senator FAULKNER—That is good.

CHAIR—In that case we will call Mr Blick and we may come back to some questions of Mr Lucas. Mr President and Mr Evans, thank you very much.

[11.28 p.m.]

Office of the Inspector-General of Intelligence and Security

CHAIR—Thank you for attending, Mr Blick.

Senator FAULKNER—Mr Blick, would you outline for the benefit of the committee what inquiries you have under way?

Mr Blick—I have an inquiry into intelligence that may have given warning of the Bali attack on 12 October. I have an inquiry into a matter that was referred to me by the former Minister for Defence in relation to a complaint by a serving military officer. I have an inquiry into a matter concerning ASIO arising from a complaint from a resident of Sydney about the execution of a search warrant. I have an inquiry, which has just begun to the extent that only yesterday I received the relevant documents, into a matter concerning a security assessment.

Senator FAULKNER—So that is four substantive inquiries?

Mr Blick—There may be one or two others, but off the top of my head I cannot comment on them.

Senator FAULKNER—Is that as significant a workload as you have had? It is a substantial number of ongoing inquiries, obviously.

Mr Blick—Yes, I would not have had more at any one time, I suspect.

Senator FAULKNER—Just so that I am clear on the DSD matters that received notoriety in relation to—how best to describe it—

Senator ROBERT RAY—A certain matter of dalliance? That is what the broadsheets would call it, and the tabloids would call it a sex romp.

Senator FAULKNER—Yes. That matter is not included?

Mr Blick—No.

Senator FAULKNER—Have you had that matter before you?

Mr Blick—No.

Senator FAULKNER—It has never been referred?

Mr Blick—No.

Senator FAULKNER—Are you able to provide the committee with copies of the terms of reference in relation to the Bali attacks? I have desperately tried to get this information from Senator Hill, but unsuccessfully to date, and I wondered if you would be able to provide that for the benefit of the committee?

Mr Blick—I do not think I am at liberty to do so, because as far as I know the government has not actually issued a copy of that letter. If you were to make inquiries of the Prime Minister's office, you may get a better answer.

Senator FAULKNER—I have asked Senator Hill, representing the Prime Minister, two questions in parliament about this. But can we just nail it down? You do have a letter that I assume is from the Prime Minister that outlines the terms of reference. Is that correct?

Mr Blick—Yes.

Senator FAULKNER—Can you say when you received that letter?

Mr Blick—The letter was dated 23 October, and I am confident I received it that same day.

Senator FAULKNER—You believe it is appropriate for the government, if it wishes, to make it public but it is a matter that you do not think is proper for you?

Mr Blick—That is right.

Senator FAULKNER—In relation to the most recent—in other words, this week—statements about knowledge of—

Senator ROBERT RAY—The *Sydney Morning Herald*.

Senator FAULKNER—Yes, the Marion Wilkinson story in the *Sydney Morning Herald* is probably a neat way of describing it. Is that included in any of these inquiries at this stage? What is the status of that, if any, as far as you are concerned?

Mr Blick—I would not see it as necessary to inquire into that separately. It is encompassed by what I am looking into. I read the story carefully, and it did not seem to me to allege anything relating specifically to my terms of reference. But that does not mean that I will not look at matters surrounding, if you like, the specific terms of reference.

Senator ROBERT RAY—Do you have any idea when you might report on this inquiry? I am not trying to hold you to a specific date.

Mr Blick—Thank you! I would be hopeful that it would be done in the next two or three weeks. But I have to tell you in that connection that the methodology that we are adopting is turning up large numbers of documents that need perusal. Don't get me wrong; that does not mean they are evidence of—

Senator FAULKNER—No, it means that you are taking a broad approach.

Mr Blick—We are; we are taking a very broad approach.

Senator FAULKNER—Are you saying to us that your approach will ensure that nothing really escapes your oversight?

Mr Blick—So far as I can possibly manage it, yes. I think one could pretty well guarantee that, with the approach we are adopting, nothing that is significant will escape us.

Senator FAULKNER—At this stage there have been no complaints referred to you in relation to the more recent raids that were undertaken by ASIO and other state and federal agencies?

Mr Blick—I have not had a complaint. I have been contacted in the last couple of days by a solicitor who tells me that he is about to send me complaints, but I have not received them.

Senator FAULKNER—Okay, so it is possible that you will receive a complaint in the near future about that.

Mr Blick—It seems possible, yes.

Senator FAULKNER—Are you able to say to the committee—and I appreciate that you may not be able to be very definitive about this—what your likely response is if you do receive a complaint in the sorts of terms that the solicitor has indicated to you?

Mr Blick—The terms are not very specific at this stage. One would need to consider the roles of the different agencies that are involved in these matters. I do not have jurisdiction over the state police and I do not have jurisdiction over the Australian Federal Police. In the event that the matters complained of were principally matters for them, I would seek to refer them to other agencies for inquiry.

Senator FAULKNER—Sure, but at this stage this has been flagged with you but you have received nothing?

Mr Blick—That is right.

Senator FAULKNER—I cannot bring it to hand but I did read a little while ago an article written by Michelle Grattan. It was a long article that pointed to some issue in relation to a wrong address. Did you see that?

Mr Blick—I probably did, yes. I do not recall the specific article. I apologise to Miss Grattan. I am sure I would have read it.

Senator FAULKNER—She is not at the table. I could ask her, too, but I am not going to. It is too late at night. I wondered if any of those inquiries went to that issue. Are you able to say that?

Mr Blick—I prefer not to give the details of individual complaints if I can do so.

Senator FAULKNER—I did not think I was asking for the details of individual complaints. This is something that has been reported publicly.

Mr Blick—Perhaps I should expand. The normal practice that I and my predecessors have adopted is not to acknowledge the existence of individual complainants, even when matters have been reported in the press, unless specifically authorised by the people concerned.

Senator FAULKNER—Did you undertake any inquiry into some claims that Mr Tony Kevin had made?

Mr Blick—Yes, there were claims, you recall, that there may have been intelligence that forewarned of the departure of the boat that sank. I looked at the records of the relevant agencies and concluded that there was no intelligence that would have given warning of that nature.

Senator FAULKNER—In relation to these four ongoing inquiries, you have indicated likely or possible timing—I appreciate possible timing in relation to the first one, the Bali bombings. Are you able to indicate timings in relation to the other three?

Mr Blick—The first one I mentioned after that, which was an ASIO complaint about a search warrant—

Senator FAULKNER—Yes, the execution of the search warrant.

Mr Blick—It is complete to the extent that I have provided the Director General of Security with a draft report and I would expect that to be completed within the next week or two. The one involving the serving military officer still has some little way to go, because there is quite a bit of correspondence with third parties that needs to be undertaken. I have mentioned the Bali one and I am trying to remember what the other one was.

Senator FAULKNER—The fourth one was a broader security—

Mr Blick—Yes, a security assessment. I only received that complaint very recently and I have only now received an initial response from ASIO, which has given me some facts, and I now need to look at the files.

Senator FAULKNER—Given this very significant amount of work that you have got on your plate—and I appreciate it is and I think most reasonable people would—have you got the resources at this stage? Is the inspector-general's office stretched at the moment in relation to this amount of work?

Mr Blick—I think the honest answer is that we are busy but we are not unable to conduct the matters that we need to conduct.

CHAIR—Thank you for your assistance. I think the committee has a couple more questions of Mr Lucas.

Senator FAULKNER—I appreciate the fact that the letter has been tabled and I now have an opportunity to read it.

Senator ROBERT RAY—We were not informed that Mr McGauran: stated that he had deliberately not accepted his invitation to attend the dinner ... and, in fact, was just spying on who had.

Senator FAULKNER—Then: walked unobserved from behind a pillar located to the rear of the PSS officer ...

Senator ROBERT RAY—And snottily pulled rank and all the rest of it. It is quite a different letter.

Senator FAULKNER—And:

... coatless and stepped across the rope barrier.

CHAIR—Senator Faulkner, do you want to ask a question of Mr Lucas.

Senator FAULKNER—And:

... proceeded to walk across the exclusion zone ...

I am reading it.

CHAIR—No, would you like to ask questions?

Senator ROBERT RAY—That is a very good suggestion, Chair. Thank you for interrupting us.

Senator Hill—You had better recall the President then too.

Senator FAULKNER—Yes, he is lurking.

CHAIR—Thank you, Mr Lucas, for providing the committee with that letter. Senator Ray has some questions.

Senator ROBERT RAY—You described it in your evidence as ‘a minor incident’ but in your letter to the President and the Speaker you have just described it as ‘an incident’.

Mr Lucas—That is correct.

Senator FAULKNER—You say:

Of major concern was the possibility of a threat to the dignity of the guest of honour ...

Mr Lucas—That is correct.

Senator ROBERT RAY—Let us go to the fifth paragraph of the letter. Was it to you that Mr McGauran stated that he had deliberately not accepted his invitation to attend the dinner?

Mr Lucas—No, to my colleague, the Deputy Security Controller who attended at his office after the incident.

Senator ROBERT RAY—I see; that is where that information comes from.

Mr Lucas—Correct.

Senator ROBERT RAY—Was it also accurate that:

He later stated his intention was to observe who was in attendance at the dinner.

Mr Lucas—That is correct.

Senator ROBERT RAY—So it was a bit of a spy flight mission? You would have given instructions to the people in security to prevent anyone going into the no-go area. Is that right?

Mr Lucas—That is correct.

Senator ROBERT RAY—When you gave those instructions, did you say that there was an exemption for ministers?

Mr Lucas—No, I must admit that did not enter my mind.

Senator ROBERT RAY—You did not anticipate a National Party minister coming down to spy on his colleagues attending the dinner?

Mr Lucas—I did not anticipate a member or senator going into that area, no.

Senator FAULKNER—So this was a breach of security?

Senator Hill—Oh, look.

Senator FAULKNER—I am asking the Security Controller—

Senator ROBERT RAY—You can leave the table and stop interjecting, Senator Hill.

Senator Hill—I am not at the table.

Senator ROBERT RAY—You are becoming grumpy.

Senator Hill—I am worried about the Office of the Status of Women—they have only got 15 minutes.

Senator FAULKNER—The Office of the Status of Women would have a lot higher status if you would shut up and we could get on with things.

CHAIR—Order!

Senator Hill—The real story is that this was more disappointing than was expected.

CHAIR—Senator, please. Mr Lucas is answering the question.

Mr Lucas—Having a function in the Members Hall is a very unusual occurrence, as you probably realise. Obviously, it has its vulnerabilities from a security point of view because of the balconies, so a perimeter was created around all of those balconies.

Senator FAULKNER—So did Mr Peter McGauran breach security?

Mr Lucas—No, I would not regard it as a breach of security.

Senator FAULKNER—What would you regard it as?

Mr Lucas—I would regard it as, as I have said, an incident where, if he had identified himself to the security officer and asked if he could look over at the function, I believe the security officer would have allowed him to do just that.

Senator FAULKNER—Isn't it true that he deliberately refused to go to the dinner? Obviously—that is what you say in this document. As far as you know that is correct, isn't it?

Senator Hill—How does he know that?

Senator FAULKNER—It is in the document.

Senator Hill—But it is not his document.

Senator FAULKNER—Why don't you be quiet? This has got nothing to do with you.

Senator ROBERT RAY—You are not a participating member of this committee so you can be quiet.

Senator FAULKNER—We do not need your interference, Senator Hill. Go back to your office. See if you can repair a few more walls down there.

CHAIR—Order! I thought it was Mr Lucas's document. Isn't this document signed by Mr Lucas?

Senator FAULKNER—Yes.

CHAIR—I thought you said it was not his document.

Senator Hill—He did not take the statement.

Senator FAULKNER—No, I am talking to Senator Hill.

CHAIR—I am sorry.

Senator FAULKNER—Keep up with the game.

CHAIR—It must be late.

Senator FAULKNER—It is late, so you are excused.

Senator ROBERT RAY—While there is a lull, it says here:

Minister McGauran expressed his position that any Minister, Member or Senator should have free access to all areas of the house at all times.

That was not the case when President Clinton visited here. There were restricted areas, weren't there?

Mr Lucas—I am not aware. I was not Security Controller at that time.

Senator FAULKNER—What about that corridor in front of the Prime Minister's office, between the Prime Minister's office and the cabinet room, which has got all these signs stopping people like me walking down the corridor.

Mr Lucas—I do not think it applies to you, Senator.

Senator FAULKNER—Doesn't it? So I just ignore that sign, do I?

Senator Hill—What sign?

Mr Lucas—It says, 'Authorised persons'.

Senator FAULKNER—Am I authorised?

Mr Lucas—You are a member of parliament.

Senator ROBERT RAY—It is a nuisance, because now I use that corridor all the time and I never used to.

Senator FAULKNER—So Mr McGauran refused to go to the dinner, he breached security by trying to spy on all those people who were at the dinner—

The PRESIDENT—He did not breach security.

Senator FAULKNER—He tried to excuse that breach on the grounds that these sorts of security requirements should not apply to 'a member of the government'. That is very churlish behaviour from Mr McGauran. No wonder he is treated with such contempt in the government.

CHAIR—Refusing to go to a dinner? That is not churlish.

Senator ROBERT RAY—No, I will tell you what is churlish. It was not when he refused to go to the dinner and not when he went to spy on his colleagues; it was when proper security was applied and he pulled rank. That is what stinks in this. He should have just accepted that there is security and not called in the senior boss basically to discipline the person that pulled him up. It is the old, incestuous arrogance of MPs. That is what is at stake here.

The PRESIDENT—I will just make the point, if I may, that it was unusual for us to be having a function there. It is not normal to have a function of that type in the Members Hall.

But because of the sensitivities of who it was, as you would be aware, both the Speaker and I did make comment that there may be a possibility of some stunt happening during the night and that is why there was security around that area to the extent it was.

Senator ROBERT RAY—You have acknowledged on a previous occasion such a stunt occurred.

The PRESIDENT—Exactly.

Senator ROBERT RAY—And I raised it here, asking what could be done about it, so it is not as though we are not sympathetic.

Senator FAULKNER—Have you counselled Mr McGauran?

The PRESIDENT—I was not aware of this.

Senator FAULKNER—Will you now?

The PRESIDENT—I have not spoken to him about it.

Senator FAULKNER—Don't you think you had better?

The PRESIDENT—I would have thought that the likelihood of that happening again is pretty remote.

Senator FAULKNER—He was so arrogant on this occasion, why wouldn't he do it again?

The PRESIDENT—The person who was the guest of honour would be most unlikely to be visiting this country again.

Senator FAULKNER—Let me ask the question in terms of the broader principle. This is the crucial question: should members of the government—

Senator Hill—Of the parliament.

Senator FAULKNER—Are you still here, Senator Hill? Go away.

Senator Hill—I am trying to help you.

Senator FAULKNER—You know that you should not be there. We told you to move. Just be quiet.

Senator ROBERT RAY—Can we remove his name tag?

CHAIR—Senator Faulkner, please ask your question. If Senator Hill could desist, that would be helpful.

Senator FAULKNER—Should members of the government—this is the terminology that is used but, if you want, it can be even more broad—or members of parliament be subject to the same security as others in the building? Or is there a special rule for Mr McGauran and a different rule for the other 3,000 who are wandering around the place?

The PRESIDENT—It is generally accepted that all members of parliament have free access to most areas of Parliament House, if not all areas of Parliament House, apart from the Prime Minister's office. But in this particular case, I think that you know, Senator, and so does Senator Ray, the reasons why barriers were erected around there. It was not for any reason other than to try and prevent an incident happening like the one that happened a couple of months before.

Senator ROBERT RAY—But the previous incident that occurred had occurred with a member of parliament. You acknowledge that. I think what Senator Faulkner is really asking

is: even though, theoretically, it is access to all areas for MPs, isn't it a good idea for MPs to set an example in security and abide by what applies to virtually everyone else in the building? I think that that is the guts of his question.

Senator FAULKNER—Exactly.

Senator ROBERT RAY—It would be a good way of demonstrating. People go around this building and they see two standards. It does not set a good example.

CHAIR—I thank the President and the officers for their assistance.

[11.53 p.m.]

PRIME MINISTER AND CABINET PORTFOLIO

Department of the Prime Minister and Cabinet

Senator CROSSIN—I have indicated to Ms Calder from the Office of the Status of Women that I have about 40 questions, which means that she has about four seconds to answer each one, so I will put them all on notice, given the late hour.

CHAIR—That would be delightful.

Senator CROSSIN—But I have asked Ms Calder if she could promise me that we will have the answers back in time to pursue them a bit further during the February estimates.

Ms Calder—I am happy to take the questions on notice, and we will ensure that we get the answers back to you as quickly as we can.

CHAIR—There being no further questions, I thank the minister and the officers for assisting us today. I also thank Hansard and Broadcasting for their services. That completes the examination of supplementary budget estimates for 2002-03 by this committee. I remind officers that the committee has set 17 January 2003 as the date for the submission of written answers to questions taken on notice.

Committee adjourned at 11.54 p.m.