



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

COMMUNITY AFFAIRS LEGISLATION COMMITTEE

Consideration of Additional Estimates

WEDNESDAY, 12 FEBRUARY 2003

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SENATE
COMMUNITY AFFAIRS LEGISLATION COMMITTEE
Wednesday, 12 February 2003

Members: Senator Knowles (*Chair*), Senator Greig (*Deputy Chair*), Senators Barnett, Denman, Hutchins and Tchen

Senators in attendance: Senators Barnett, Bartlett, Bishop, Collins, Denman, Forshaw, Knowles, Moore, O'Brien and Tchen

Committee met at 9.05 a.m.

FAMILY AND COMMUNITY SERVICES PORTFOLIO

In Attendance

Senator Vanstone, Minister for Family and Community Services

Department of Family and Community Services

Executive

Mr Mark Sullivan, Secretary
Ms Glenys Beauchamp, A/g Deputy Secretary
Mr Wayne Jackson, Deputy Secretary

Executive Directors and General Manager

Mr David Kalisch, Executive Director, Family and Children Cluster
Ms Linda Powell, A/g Executive Director, Community Development and Support Cluster
Ms Kerry Flanagan, Executive Director, Strategic and Ageing Cluster
Ms Peta Winzar, Executive Director, Economic and Social Participation Cluster
Ms Serena Wilson, Executive Director, Welfare Reform Cluster
Ms Virginia Mudie, Executive Director, People and Business Cluster
Ms Cate McKenzie, Executive Director, Cluster
Ms Cathy Argall, General Manager, Child Support Agency

Family Assistance

Ms Fiona Dempster, Assistant Secretary, Family and Children's Policy
Ms Lynne Curran, Assistant Secretary, Family Payments and Child Support Policy
Mr Tony Carmichael, Assistant Secretary, Family and Children's Services
Mr Michael Gehrig, A/g Director, Family Payments and Child Support Policy

Youth and Student Support

Ms Tricia Rushton, Assistant Secretary, Youth Bureau Programs
Mr Matt Davies, Assistant Secretary, Youth Bureau Policy and Promotions

Child Support

Ms Sheila Bird, Assistant General Manager, Client Relations and Quality Outcomes, CSA

Child Care Support

Ms Dawn Casey, Assistant Secretary, Child Care Services
Mr Jeff Popple, Assistant Secretary, Child Care Benefits

2.1 Housing Support

Ms Fiona Smart, Assistant Secretary, Housing Support Branch

2.2 Community Support

Mr John Higgins, A/g Assistant Secretary, Community Branch
Mr Richard Magor, Director, SFCS Implementation Team, Community Branch
Mr Barry Smith, Assistant Secretary, Indigenous Policy and North Australia Office

3.1 Labour Market Assistance

Mr Evan Lewis, Assistant Secretary, Labour Market and Parenting
Ms Donna Phillips, Director, Working Credit Implementation Team, Labour Market and Parenting Branch

3.2 Disabilities

Ms Jackie Wilson, Assistant Secretary, Office of Disability
Mr Glen Halloran, State Manager, Queensland State Office

3.3 Carer Support

Ms Frances Davies, Assistant Secretary, Disability Service Reforms

3.4 Aged Support

Mr Alex Dolan, Assistant Secretary, Seniors and Means Test Branch
Mr Barry Sandison, Assistant Secretary, Participation Strategies

Across all outcomes

Mr Brendan Jacomb, Assistant Secretary, Legal Services Branch
Mr Tim Youngberry, Chief Financial Officer, Chief Financial Officer Group
Ms Liza Carroll, Assistant Secretary, People Branch
Mr Steve Jennaway, Assistant Secretary, Business Improvement and Governance Branch
Mr Tony Mee, Assistant Secretary, Business Information Solutions
Ms Kim Loveday, Assistant Secretary, Service Delivery and Assurance
Phil Lindenmayer, Chief Internal Auditor, Service Delivery and Assurance
Ms Jenny Bourne, Assistant Secretary, Relationships Branch
Mr Gary Dunn, Assistant Secretary, Budget Development Branch
Mr Roger Barson, Assistant Secretary, International Branch
Mr Bruce Smith, Assistant Secretary, Welfare Reform Taskforce
Mr Chris Foster, Assistant Secretary, Working Age Taskforce
Mr Andrew Herscovitch, Assistant Secretary, Ministerial and Communications
Mr Evan Mann, Assistant Secretary, Centrelink Relationships
Mr Nick Hartland, Centrelink Relationships
Mr David Hazlehurst, Assistant Secretary, Strategic Policy and Knowledge
Mr Jeremy Nott, Assistant Secretary, Strategic Policy and Knowledge

CENTRELINK

Ms Sue Vardon, Chief Executive Officer
Mr Graham Bashford, Deputy Chief Executive Officer, Business
Mr Paul Hickey, Deputy Chief Executive Officer, Business Capability
Mrs Patricia Turner, Deputy Chief Executive Officer, Customer Service
Ms Jane Treadwell, Deputy Chief Executive Officer, Digital Business/CIO
Mr John Wadeson, General Manager, Major Projects
Ms Carolyn Hogg, General Manager, Service Integration Shop
Mr Mike Goldstein, General Manager, Business Assurance Services and Chief Auditor
Dr Helen McKenna, National Manager, Risk and Business Assurance
Mr Rod Gibson, National Manager, Business Alliances and Contracts

Ms Peta Fitzgibbon, National Manager, Participation
Mr Tony Schell, National Manager, Debt Services
Mr Paul Cowan, Debt Services
Mr Graham Maloney, National Manager, Centrelink Call Operations
Ms Christine Hagan, General Manager, Centrelink Call
Mr Chris Redmond, A/g National Manager, Youth and Students
Mr Dean Church, Youth and Students
Mr Anthony James, Youth and Students
Dr Margaret Browne, General Manager, Participation
Ms Jan Bush, A/g General Manager, Retirements
Ms Michelle Gunasekera, National Manager, Single Payment and Simplification
Ms Pat Fegan, National Manager, Employment Operations
Mr Robert Williams, National Manager, Employment Services
Ms Carmel McGregor, General Manager, People and Corporate Performance
Mr John Regan, National Manager, Area Network
Mr Ray White, A/g National Manager, Detection and Review
Mr Colin Parker, National Manager, Property and Services
Mr Peter Fisher, National Manager, Disability and Carers
Ms Marilyn Prothero, National Manager, Financial Services (Chief Financial Officer)
Mr Karel Havlat, National Manager, Resource Management
Ms Robin Salvage, National Manager, Rural and Housing
Mr Hank Jongen, National Manager, Communication, Media and Marketing
Mr Luke Woolmer, National Manager, Privacy and Security
Mr Grant Tidswell, General Manager, Families
Ms Sally Babbage, National Manager, Families
Mr Darryl Alexander, National Manager, Parenting Assistance
Ms Katrina Edwards, General Manager, Strategic and Business Planning
Ms Barbara Causon, National Manager, Indigenous Services
Ms Kim Serjeant, Indigenous Services
Peter Bickerton, A/g General Manager, I&T Operations
Mr Kevin Parsons, National Manager, Call Centre Automation
Mr Mark Wellington, National Manager, Disasters and Emergencies
Mr John Browne, National Manager, Service Improvement

CHAIR—I declare open this hearing of the Senate Community Affairs Legislation Committee. The Senate has referred to this committee the particulars of proposed additional expenditure for the year ending 30 June 2003 for the portfolios of Family and Community Services and Health and Ageing and issues from the Advance to the Minister for Finance and Administration as a final charge for the year ended 30 June 2002.

The committee will now commence examination of the Family and Community Services portfolio. Before commencing with Centrelink, I inform the officers present that senators have advised they do not require officers from the Australian Institute of Family Studies and the Social Security Appeals Tribunal. I welcome the Minister for Family and Community Services, Senator Amanda Vanstone; the departmental secretary, Mr Mark Sullivan; Ms Sue Vardon, Chief Executive Officer of Centrelink; and officers of the Department of Family and Community Services and Centrelink.

I draw the attention of witnesses to the resolutions agreed to by the Senate on 25 February 1988, 'Procedures to be observed by Senate committees for the protection of witnesses' and, in particular, resolution 1(10), which states in part:

Where a witness objects to answering any question put to the witness on any ground, including the ground that the question is not relevant or that the answer may incriminate the witness, the witness shall be invited to state the ground upon which objection to answering the question is taken.

I also remind officers that an officer of a department of the Commonwealth 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 a minister. Witnesses are further reminded that evidence given to the committee is protected by parliamentary privilege. However, the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. Witnesses are also reminded that they shall not be asked to give a personal opinion on matters either. Minister, do you wish to make an opening statement?

Senator Vanstone—Very briefly. As ever, it is nice to be here and see the smiling and happy faces of the committee. I thank them for their interest. There are two things worth remembering: firstly, that Mr Sullivan and the people who work for him and Ms Vardon and the people who work for her do extremely important work. It is not the front-page stuff that people are interested in in the sense of the political fight, as very often happens—but not that often—but it does affect millions of people. It is often a quite technical area that is not seen as being perhaps as exciting for some as some other areas, but it critically affects at least 6½ million Australians and it is very, very important work. That is the first thing that I want to mention—that these people do assist at least that many Australians each year.

The other thing that perhaps is not as well known is how well regarded the Australian government and the bureaucrats in this area are internationally. We put out a press release recently, having won, I think it was, a World Bank contract. In a large number of countries, people are seeking the Australian government's advice, but it is really advice from the people who assist the Australian government to deliver its social welfare policies. It is perhaps not recognised what a world leader we are in that respect. There is the division into the government services delivery agency from the policy area. The consequences of that are of great interest to not only developing countries but developed countries as well. I just want to mention that because it is not the sort of thing for which they are going to hold the presses or which they are going to put on the front page of the paper. Because of those two things, quite genuinely—even though I know these guys are out to get us, intermittently—I am pleased that there are people who are interested in this area because there should be and there should be more of them.

CHAIR—Thank you. It is a very important point that you raise. I think the 0.5 per cent of complaints that one sees aired does not accurately reflect the 99.5 per cent of cases that are done exceptionally well and with complete dedication. Thank you, Minister.

The committee will be working from the portfolio additional estimates statement. I propose that we commence with issues relating to Centrelink on pages 84 to 89, followed by general questions of the department overview on pages 9 to 26 and then outcomes on pages 27 to 48. Post-budget measures listed in section 3 can be considered under the relevant outcome. Are there any questions?

[9.11 a.m.]

Centrelink

Senator MARK BISHOP—I welcome the minister and the officers of the department at the table and in the gallery. For the information of Ms Vardon and her officers, I will be pursuing data-matching program performance and trends, overseas pensions and historical data matching. I will be asking questions on the Centrelink submission to the House of Representatives Standing Committee on Ageing, the issue of the Boston Consulting Group review, about which we had a lengthy discussion last time, progress on family tax benefit reconciliation and related initiatives—it is turning into a hardy annual—and the implementation of Australians Working Together.

When I have concluded the purely Centrelink questioning I will have some follow-on questions relating to claims for family tax benefit top-ups, in response to question No. 40 in output group 1.1, family assistance. It is probably properly done under DFACS as opposed to Centrelink but it might be useful, Ms Vardon, if your relevant officers remain for that because there is a bit of crossover in those areas. I will go firstly to the issue of data-matching program performance and trends.

Ms Vardon—Ray White is our expert.

Senator MARK BISHOP—Mr White, I refer you to this report, *Centrelink and the Data-Matching Agency—Data-matching program—Report on progress 2001-2002*. I presume that you are familiar with that report?

Mr White—Yes.

Senator MARK BISHOP—Since this program was introduced some years ago, there has been a range of initiatives introduced via budget processes to enhance performance and incomes. I have a number of questions relating to that. Can you put on the record what have been the key developments in DMP over the last few years?

Mr White—Most of the activity in regard to the data-matching program initiative has been in place for many years. I think it was introduced in about 1990 and there have been a number of improvements to the matching methodologies that we use. It constitutes approximately 10 per cent of the overall review activity undertaken by Centrelink in the area of data matching. It is a significant component of our data-matching activity.

Senator MARK BISHOP—Can you just outline on the record what have been the changes, alterations and improvements that you have developed and implemented in the last five or six years?

Mr White—There has not been anything significant in there.

Senator MARK BISHOP—I want to get on the record the nature of the changes: risk profiling—it was suggested that that would lead to more targeted cycles; historical data matching; and matching with state government authorities—for example, births and deaths—and other Commonwealth authorities. I want to get that on the record. Then I want to discuss with you what those outcomes, in terms of either Centrelink or government policy, have been and find out whether they have been beneficial. I want to get sequentially the changes that have been introduced to improve performance in the last five or six years. We will then have a discussion as to the merit of those changes and where we are going in this area, if anywhere.

Mr Hickey—Perhaps the use of the term ‘data matching’ has caused some confusion because some of the other issues that you have referred to are broader issues within our whole suite of compliance activities. A number of elements of the compliance functions generate the

sorts of review work that we do. Data matching, as Mr White has said, is a very significant part of that. Information provided from the public via tip-off lines is also an important part of the process of generating reviews, as is the selection of cases—either on a random basis or through risk profiling methodologies, which are now being progressively improved to be able to generate overall review activity. In total, during the course of the year, we do in the order of 2½ million entitlement reviews. The elements or the activities that generate that number of reviews can be data matching, Centrelink initiated reviews or advice in the form of tip-offs from the public.

Senator MARK BISHOP—Thank you for putting that in context. Perhaps we can go through the subset of data matching. Mr White or Mr Hickey, can you outline where there have been extensions or changes in the last five or six years? Overall, what have the results been?

Mr White—The report that you showed early on relates to the data-matching program. As I said, that would constitute around 10 per cent of our review activity. We do have a range of other data-matching initiatives with a number of other key agencies—in particular, the tax office. Approximately half of our data matching is done with information from the tax office. Over the last four or five years we have increased quite significantly the work that we do with the tax office, looking for customers who have underdeclared or not declared the fact that they are working and receiving income from employment. That is one of the key areas. Another area would be that of rent assistance. In the last few years we have also been doing quite a lot of work with our data- matching initiatives in the rent assistance field.

Senator MARK BISHOP—So you have had two areas of increased activity in the Commonwealth: one is rent assistance and the other is with the ATO. Is rent assistance done through DFACS? Who pays rent assistance?

Mr Hickey—We pay that.

Mr White—Centrelink pays that.

Senator MARK BISHOP—That is just an internal correlation. What about state government agencies?

Mr White—We have quite an extensive range of data-matching initiatives with the state governments. Two or three of the key areas there would be with the state corrective services—that is, the jails areas. We have monthly matching with them. We also have matching with the areas of registrar-generals' offices with their death data, on a regular basis. We also have matching with the states on areas such as superannuation. The others escape me for the moment, I am sorry.

Senator MARK BISHOP—Please take on notice details of all of the state government agencies or entities that you have data-matching programs with and their inception dates. You mentioned rent assistance and ATO; they are both Commonwealth agencies. Do you do data matching with any other Commonwealth agencies?

Mr White—Yes. In the data-matching program—the report that you highlighted—we also do matching with the Department of Veterans' Affairs and with agencies such as ComSuper. We also have matching with the department of immigration, the electoral office, the Health Insurance Commission and a range of most of the major—

Senator MARK BISHOP—Do you do any matching with any of the financial regulatory authorities, like ASIC?

Mr White—Yes, we do some matching with ASIC. It is a fairly comprehensive program that we have in place at the moment, obviously based on a lot of areas of risk.

Senator MARK BISHOP—Who are the key customer groups targeted by data matching?

Mr White—The whole range of customer groups.

Senator MARK BISHOP—What are the key ones?

Mr White—For income related matters it would be the unemployed, but there is also quite a lot of activity in the whole range of other areas: the parenting payment single customers as well as the aged and the disabled. Some initiatives cross all the payment groups, and some initiatives are targeted solely at particular groups within that.

Senator MARK BISHOP—Are you data matching all subgroups at any one time or do you do them sequentially?

Mr White—Generally we do the whole group at one time.

Senator MARK BISHOP—So you could indeed be data matching millions of people through millions of transactions with other agencies. Is that correct?

Mr White—Yes, but obviously that is with the appropriate security and privacy considerations. With all of the data matching that we undertake within Centrelink, as you would be well aware, the Privacy Commissioner has some guidelines for data matching and Centrelink abides by those guidelines. We have program protocols and technical standards which we have lodged with the Office of the Privacy Commissioner. I think that, in the recent annual report of the Privacy Commissioner, he put down the fact that Centrelink abided by all of those program protocols, that we had those in place and that there were no complaints against Centrelink in terms of its data matching across the board.

Senator MARK BISHOP—How are savings calculated? How do you determine a figure that might be achieved within a particular target group?

Mr White—I might refer that to our colleagues in FACS.

Mr Sullivan—In any calculation of savings, particularly when it relates to measures, we talk with Centrelink. We have some modelling. We do that modelling, then take our calculations to the department of finance and, before they can be presented, if you are talking about a formal savings measure, they must be agreed with the department of finance and ourselves. It is a collaboration between Centrelink, who understand the business and the service delivery aspects of it, and us—we have developed a range of modelling tools which have proven to be very good at modelling savings. Then there is the required collaboration with Finance, to get to a position where the savings estimates are agreed.

Senator MARK BISHOP—I presume that program is an evolving program, so there would be different methods of calculating savings as time goes on. Or do we stick with the same formula that we established, say, eight years ago?

Mr Sullivan—No. It is quite a fluid formula. For instance, if you introduce a new initiative, such as using more reviews rather than data matching and you develop what the impact of more reviews will be, and you then have a measure which says you will do more reviews again, there is then obviously a requirement to update your data and look at the methodology. We go back to all of our modelling and evaluate whether our modelling turned out to be right. If we did a measure in 1998 that said it would save \$60 million, and by 1999-2000 we were able to determine that it saved \$50 million or \$70 million, we would look to what parameters in the modelling we should change to be better able to do future modelling. It is quite a dynamic modelling system; there are no fixed formulas.

Senator MARK BISHOP—I suspect that the department and the agency would have developed considerable expertise in this area since 1990. What has been the nature of the major changes that have occurred since the program was established? Is it more than just tweaking a number of the variables?

Mr Sullivan—In terms of process or in terms of modelling?

Senator MARK BISHOP—In terms of processes.

Mr Sullivan—Clearly, with our capacity and Centrelink's capacity to be able to exchange and match data and do a lot more analysis of our own data, we have striven to basically ensure that we are able to assist customers in making all the information reflected in the assessment of a benefit or pension accurately available to us. Therefore, a lot of these measures are about being able to advise customers, for instance, that we understand that their earnings from superannuation funds are X and could they please confirm that, or that we understand that their earnings from this are this, or that we understand that their circumstances have changed. I believe that has meant that there can be a lot more confidence in the fact that the many billions of dollars of benefits that we pay are protected in respect of the Commonwealth and its revenue.

The improvement in technology—the speed of processing, the capacity to store large amounts of data and the ability to exchange it—has certainly helped. Then there is the other element, which is basically attempting to detect those individuals who are seeking to defraud the Commonwealth. That certainly gets into identity matching in attempts to show or be able to see where there is clearly suspicion of identity fraud or where there are particular patterns of behaviour which would indicate fraudulent behaviour. So we have fraud detection. We certainly do a lot of work in, as I would describe it, assisting people to be able to provide Centrelink with accurate, up-to-date information to ensure that, firstly, the benefit they get is no more and no less than what they should get and that, secondly, the very considerable amounts of money that we expend as a portfolio on behalf of the government are protected.

Senator MARK BISHOP—The costs for the program in the 2001-02 year were about \$16,390,000, which was almost half the funding of some three years ago. In the financial year 2000-01 it was \$21 million; in the financial year 1999-2000 it was \$25 million; and in the financial year 1998-99 it was almost \$27 million. There has been a significant—

Mr Sullivan—What numbers are we talking about? Where are you getting that from?

Senator MARK BISHOP—They are the costs of the program.

Mr Sullivan—The costs of which program? Are they the costs of data-matching activities?

Senator MARK BISHOP—Yes.

Mr Sullivan—I think Mr Hickey made the point that we are in a discussion which is much broader than data matching. I think your question is: why is the number we reflect as the cost of specific data matching going down?

Senator MARK BISHOP—Yes, that is right.

Mr Sullivan—What I described to you is, as Paul Hickey said, a whole lot more than data matching.

Senator MARK BISHOP—You outlined a range of other initiatives where work is going on. But the discussion I have been keen to pursue has been within the data-matching area. That is why I introduced the booklet and said that at the outset.

Mr Hickey—The situation is that for the whole compliance program the amount of activity over the years has been increasing. That includes those other areas that generate the reviews that I spoke about, like tip-offs, internally generated reviews and the like. The overall activity in the compliance area has been increasing as the government has added new elements to our capacity, including data matching. There have been resources provided to implement those initiatives, including the ongoing maintenance of the review activity. At the same time, there have been expectations about the efficiency of the compliance function, just as there have been expectations about the overall efficiency of Centrelink. The capacity that we have now through the technology systems that are available to us has greatly assisted in improving the efficiency of the compliance functions. You are seeing a growth in the number of Centrelink review cases that are being investigated and additional resources to implement new measures as they have been decided by the government. But, at the same time, you are seeing some significant improvements in efficiency across the board in Centrelink, including in the compliance function. We would have to determine whether we are able to go back and analyse the particular resources allocated to particular elements of the compliance function and track why they may have moved in a certain way over a five-year period. But, at the end of the day, the key issue from our perspective is that total activity is up, the savings generated for the government are up and the efficiency of the program has also improved.

Senator MARK BISHOP—I understand the point that you are making. You are saying that the area is really compliance activity. That has a range of subsectors. Some or all of them have increased activity, increased reviews and increased resources, but the data matching, whilst it is one of the functions undertaken, has had a significant reduction. Is that correct?

Ms Vardon—A reduction in what?

Senator MARK BISHOP—A reduction in costs. It is not, per se, a bad thing. As I said, it has reduced from \$27 million in the financial year ended 1999 to \$16 million in the financial year ended 2002.

Ms Vardon—I think that a reduction in costs and an increase in efficiency was the point that Mr Hickey made.

Senator MARK BISHOP—Yes. I am asking: what are the reasons for the decline in the costs? Is less data-matching activity occurring now than five years ago? Have resources been allocated into more productive areas within compliance review?

Mr Hickey—It would be a combination of all of those things. But there can also be impacts through program changes. For example, with the implementation of the family tax benefit, the need for us to match against income in a compliance sense is replaced by the reconciliation process that is undertaken within that program. There are shifts that are generated by changes in, for example, the tax system and the social security system sitting alongside that. We would need to go back and look at what the variations year on year within the data-matching element have been relative to the whole compliance function. We would need to take that on notice.

Senator MARK BISHOP—It appears that you do not have—no disrespect intended—the answer off the top of your head. Perhaps you could look at the data-matching program, look at the costs year in, year out, and identify for us the reasons for the decline in the costs.

Mr Hickey—Sure.

Ms Vardon—However, I would like to mention the increase in the numbers of matches that have happened—I think those two have to be seen together.

Senator MARK BISHOP—That is fine—I am coming to that. I am advised that the number of overpayments identified by the program last year was 44,518, which was a decline of about 35,000 on 1997-98. It went down from about 80,000-odd to 44,000. What are the reasons for this decline in overpayments?

Mr White—As Mr Hickey outlined earlier, that is partly due to some of the program design. Changes in the tax system with the introduction of the family tax benefit meant that there were fewer reviews being generated, which means fewer debts for that particular initiative.

Senator MARK BISHOP—What do you mean by ‘fewer reviews being generated means fewer debts’?

Mr White—If we were doing, say, 100,000 reviews, we would expect a certain percentage of those to have an associated debt. The percentage of debts remains the same but, as the number of reviews drop, the actual dollar value and numbers reduced accordingly.

Senator MARK BISHOP—The question then becomes: what has occasioned the drop in the number of reviews?

Mr Hickey—If you take the family tax assistance area as an example, if in the past the program design was such that the entitlement paid by Centrelink was based on a declaration by a citizen and we needed to sample and verify the accuracy of those declarations, that process would have generated reviews under the data-matching activity. With the change in FTB and the automatic reconciliation of income against the entitlement, it is taken out of the data-matching program area but happens within the new design of the family tax benefit system.

Senator MARK BISHOP—Are you saying to me that the changes introduced circa 1997 in the family assistance program are the major reason for the reduction in overpayments?

Mr Hickey—I would expect that that is the case. Again, we will analyse the reduction and provide you with the basis of it.

Senator MARK BISHOP—Could you take it on notice to analyse the reduction and provide us with the basis of it. When you look at the cost-benefit of this program, again, there has been steady decline since 1997-98. I am advised that in the financial year 1997-98 it was about 8.18 and it fell to 6.36 for the financial year 2001-02. That is a significant reduction in the cost-benefit for the agency and the government. How do you explain that?

Mr Hickey—Do you know those figures, Mr White?

Mr White—No, I did not know those figures off the top of my head.

Ms Vardon—Could we take that on notice?

Senator MARK BISHOP—You were not aware of those figures, Mr White? Do you have any reasons for thinking that the program might not be as efficient as you had expected?

Mr White—It may well be that the cases that were being done through the tax process prior to the introduction of the family tax benefit were cases of a fairly minor nature in terms of the amount of effort that was required to undertake those particular reviews, while the ones that are left take a greater amount of effort. That may be one of the reasons.

Ms Vardon—Senator, I do not think we should speculate. I think we should come back to you, having done a proper investigation.

Senator MARK BISHOP—You would be aware that the quantum of savings achieved from matching has been significantly in decline. For the year ended 1996 it was \$106 million;

for the year ended 1997 it was \$157 million, an increase of 50 per cent; for the year ended 1998 it was up to \$206 million—that is a significant growth in savings over time; for the year ended 1999 it was static at \$200 million; for the year ended 2000 it showed a marginal decline to \$189; down to the year ended 2002, where there was a significant decline to \$104 million.

Ms Vardon—We have to match those figures with the transfer of activities from this particular program to other places, which is the point that Mr Hickey has made, and we need to give you the information about where the replacement work was done.

Senator MARK BISHOP—Okay, are you suggesting that there might be other savings in other areas where the work has been transferred to?

Ms Vardon—I am absolutely sure that that is what we are saying, but I want to be able to identify it. There has not been less effort in compliance; there has been a different effort in compliance, and it is the different effort that we need to describe to you.

Senator MARK BISHOP—I can recall when Minister Newman was in the chair that she used to make an announcement about once or twice a year as to the amount of money gathered through savings protocols and mechanisms in the department. I think Minister Vanstone has from time to time as well. Just looking at that program in isolation suggests that the results in latter years have not been what we anticipated. You say that the work has been transferred to other areas.

Ms Vardon—There have been significant policy and program changes in those last few years and now we need to be able to identify where that transfer went.

Senator Vanstone—I do not recall having done such releases. I have done the odd one but there is no annual—

Senator MARK BISHOP—They are normally in response to a dorothy dixer in question time.

Senator Vanstone—Yes. There is no guaranteed once a year release of how much we are saving per week or whatever. I have not done that, which is not to say that Senator Newman did. But I certainly do not look at compliance as a baseball game—what score you can get in this six months or the next six months. I rather hope we all look at it as making sure that people get everything they are entitled to but no more. That will vary from time to time on the basis of which programs you select. Ms Vardon is onto what you want to know. What she is saying is that it is not something that can be put in one or two sentences and she would like to take it on notice and give you a full and proper answer.

Senator MARK BISHOP—That is fine and I thank Ms Vardon for the offer.

Senator Vanstone—We are not trying to get out of this. I am very interested in this issue.

Senator MARK BISHOP—I understand how Ms Vardon responded and we will take the response in writing in due course. In terms of your comment, Minister, from time to time you are asked questions at question time in the Senate and you make reference to volume of savings.

Senator Vanstone—Sure.

Senator MARK BISHOP—I make no comments perjorative or otherwise as to that.

Senator Vanstone—Generally speaking, people do ask and taxpayers have a genuine interest in compliance and whether we are doing anything to catch the people they see as cheats. As I have said in the Senate, there are two categories. There are the people whom I do not regard as criminals but who, nonetheless, are not living up to their obligations. They are

not notifying us of extra income. Maybe they mean to and they say, 'Next week. Next week.' By the time they get around to it they have not done it for six months and then they have got an overpayment. They are in categorically a different class from the sort of person who sets about having 20 different identities who is a real cheat and a thorough crim. People are interested in how much we save and what we get; but, as I say, not in the sense of it being some sort of scoring baseball game. ACOSS, for example, would say, 'Is it worth the money? Why don't you give the money you spend on compliance to other people?' If we did, we would lose a lot more. We actually gain on compliance which means that we have got more money to spend on good things.

Senator MARK BISHOP—That is fine. I think we have understood the thrust of this discussion. Ms Vardon, investment in IT is handled in agencies, isn't it?

Ms Vardon—It is a cooperative effort between FACS and Centrelink.

Senator MARK BISHOP—Do you share IT hardware?

Ms Vardon—Centrelink looks after the actual physical IT system.

Senator MARK BISHOP—In your annual reports, how do you identify investment in IT? Is there a certain amount for capital, software, hardware, operating costs or updates? How is it identified?

Mr Hickey—It is not published at that level in the annual report but we have identified the cost of our IT operations, for example, through the process involving the Boston Consulting Group that you will be coming to later.

Senator MARK BISHOP—If I went to your annual reports to work out your IT costs, I would not be able to do that?

Mr Hickey—No, the financial statements within the annual reports do not publish information to that level of detail.

Senator MARK BISHOP—Does the agency have that detail of information?

Ms Vardon—Yes, we do.

Senator MARK BISHOP—In what form do you have it?

Mr Hickey—It is held within our financial records systems and would need to be extracted in the form that you might be interested in.

Senator MARK BISHOP—Could you take on notice to provide me with a break-up of your capital and operating costs in the area of IT over the last five years so that we can do the analysis?

Mr Hickey—We will endeavour to provide that to you. If there is some problem with the older historical records, we will, of course, let you know.

Senator MARK BISHOP—It is not on the web site, is it?

Mr Hickey—No.

Senator MARK BISHOP—If you could take that on notice, Mr Hickey. I just wanted to turn briefly to this issue of overseas pensions. The context of the discussion is in currency movements—our dollar floating and a lot of the currencies of countries with people who now reside in this country also no longer being fixed—and the problems that derive from that, in terms of estimating and receiving income, and the consequences that flow from those activities. Are there any arrangements in place for customers of Centrelink who have overseas pensions that might be affected by currency movements?

Mr Barson—I think I can give you a general answer to that and, if there are specifics, we can follow on from it. Yes, there are. We, of course, try to maintain the value of an overseas pension at its correct value and keep pace with currency movements. It is not really feasible to constantly change the pension rates according to currency movements, so we have a process in place at the moment where the rate is taken at a certain period before the payment of the actual pension. That then gets plugged into the processing and produces a pension based on that particular currency exchange rate. As that currency exchange rate moves then, of course, the next calculation would reflect that changing currency rate.

Senator MARK BISHOP—In the last three months our currency has gone up from around 53-odd US cents to around 59c—over 10 per cent. Can you give me a bit more detail, Mr Barson? When you say that the rates are taken at a certain period prior to the payment of the pension, is that done annually, quarterly, half-yearly?

Mr Barson—No, I am talking about each payment of the pension that is made. Centrelink is regularly recalculating the amount of the pension against what is regarded as the current exchange rate. All I was saying is that current exchange rate is not necessarily on the day that the payment is made, because that is not technically possible. It is the exchange rate at a certain date, which, from memory, is 15 days before the date the payment is made. So it is recalculated constantly. It is just not recalculated on the pension payment day.

Senator MARK BISHOP—That is a permanent thing done by the model, is it?

Mr Barson—It is a routine feature of the system, yes.

Senator MARK BISHOP—So it is recalculated every fortnight. Does that mean that the quantum of the pension received by an overseas pension recipient in this country who receives a Centrelink pension is variable every fortnight as well?

Mr Barson—I am sorry, in this country?

Senator MARK BISHOP—A person residing here.

Mr Barson—They are paid in Australian dollars so the exchange rate question does not arise. I am sorry, I am not sure I understand you. Are you thinking of the payment of an overseas pension into Australia?

Senator MARK BISHOP—Yes, and payment of an Australian pension.

Ms Vardon—That is impacted by the level of the overseas one?

Senator MARK BISHOP—Yes.

Mr Sullivan—I believe that is important. In us paying Australian pensions overseas, we pay in Australian dollar terms, which are reflected in various other currency terms and will fluctuate. In respect of an overseas pensioner residing in Australia also in receipt of an Australian pension—

Senator MARK BISHOP—Yes, that is what I am talking about.

Mr Sullivan—Obviously, their income varies in Australian dollar terms as determined by a change in the exchange rate and we take into account that variation income in determining the pension paid.

Senator MARK BISHOP—That variation could occur, theoretically, every fortnight in terms of the quantum of part pension paid by Centrelink to the person resident in Australia who has an overseas pension as well?

Mr Sullivan—Those changes would be accounted for on a fortnightly basis. I am not sure exactly how often it is done. There would be a reconciliation depending on movements in exchange rates.

Senator MARK BISHOP—That is where I wanted to come to, Mr Sullivan. So we do an accounting reconciliation every fortnight but the actual physical payment into the bank account or the actual payment paid by cheque is static? Is that correct?

Mr Sullivan—No. It is not just an accounting of these changes, a person must declare to us how much income they received in Australian dollar terms. If a person declares an overseas pension, we are aware of how much in British pounds, American dollars or German deutschmarks they are receiving. We review the amount of Australian pension paid, based on that income in Australian dollar terms. For instance, if an overseas exchange rate deteriorates against the Australian dollar, their income from an overseas pension would reduce and we would pay them a greater pension. I am not certain about whether we do that every fortnight or on review.

Senator MARK BISHOP—That is my question.

Mr Sullivan—We can get back to that. This is reflected in payments, as I understand it, as soon as it can be reflected. Before the end of this morning, we can let you know just how that is done.

Ms Vardon—Senator, the expert is in Tasmania. This whole processing question is done by our Tasmanian operations. If you let us make one or two phone calls, we can give you an exact answer.

Senator MARK BISHOP—Mr Barson does not know off the top of his head?

Mr Barson—No, because it does vary according to the payment. Some of the countries are not varying their payments with changes in exchange rates. If we can give you an answer shortly, Senator, we can give you a more comprehensive answer.

Senator MARK BISHOP—Were customers advised that there was no need to continue updating the changes in their overseas pensions, that it would occur automatically?

Mr Barson—No.

Senator MARK BISHOP—No such advice has gone out from Centrelink?

Mr Barson—Not to my knowledge. I believe there was an issue that a couple of customers have raised where they thought that was occurring. No, we get some information from some countries on the payments that have been made to the people and when those changes happen, yes, we are advised. But in terms of the general variation of the amount that the person is receiving, that is an obligation on the person. I am not aware of any advice being given to anyone that those changes are automatically made.

Senator MARK BISHOP—Various members of the House have started to get a range of complaints and correspondence from overseas people resident here. That is why we are pursuing this issue. It is useful to hear what you had to say, Mr Barson. Has there been any spike up in the number of overpayments in relation to customers with an overseas pension? Has that come through to Centrelink at all?

Ms Vardon—I am writing the questions down. We are ringing them through to Tasmania. If you would like to give me the questions, we will get you the answers.

Senator MARK BISHOP—That was the second last question. The first question was the issue identified by Mr Sullivan—when the variation and actual payment occurs, or when the

reconciliation in an accountancy sense occurs. The second question is: has there been a spike up in recent times of overpayments in relation to customers with an overseas pension? If the answer to the latter question is yes, what reasons have been identified for that? If you can identify the reasons, I might come back to the discussion then.

Mr Sullivan—Senator, I think you started this discussion with the use of the example of the American dollar and the 10 per cent change in the American dollar. Of course, very few benefits are paid in American dollars. Currency variations against the British pound, the New Zealand dollar and the euro are far more stable. In some instances, including the New Zealand dollar, they have moved the other way. So I do not think, in terms of a major change of the Australian dollar against the American dollar, we are going to see much variation against our major customer bases anyway. I think they have been much more stable. We will get the answer.

Senator MARK BISHOP—I accept that comment, Mr Sullivan. Probably with the exception of the New Zealand dollar, which has gone up about 10 per cent against ours in the last six months.

Mr Sullivan—That is right; as I said, it has moved the other way.

Ms Vardon—Can I get this clear, you are asking about people who are living in Australia, who are receiving pensions from overseas? It has nothing to do with anyone overseas receiving Australian pensions; it is just this way?

Senator MARK BISHOP—Yes, because they are affected by the currency movements and the quantum they would receive in terms of their past Australian—

Ms Vardon—We have got a very good story for the other one, but I cannot tell you because you did not ask the question. So we will move on.

Senator MARK BISHOP—You can come back in due course, Ms Vardon. We now turn to the issue of the Centrelink submission to the House of Representatives Standing Committee on Ageing. I want to have a discussion about that submission. The submission identified in passing the issue of retirement age—what would be an appropriate retirement age, the changes in the nature of the work force and increases in dependency in due course. These are the issues we are talking about: dependency increases, work force participation and retirement age—whatever it is. Who authored that document?

Mr Bashford—It was an officer within the retirement section of Centrelink. It was based on, incidentally, a collection of information from our customers and staff, and we put that forward purely as a basis of discussion. It was not sanctioned by anyone else.

Senator MARK BISHOP—No, I understand all of that; I have seen the minister's comments on that. I understand it was a submission or a paper prepared internally by Centrelink and it went forward to the committee. How many people were involved in putting that together, Mr Bashford?

Mr Bashford—About two or three people.

Senator MARK BISHOP—Policy officers?

Mr Bashford—No, we do not have policy officers in Centrelink.

Senator MARK BISHOP—Who was the senior person involved in its preparation?

Ms Vardon—Senator, can I ask why we are looking for names here? I am curious about why you want names?

Senator Vanstone—That is a very good point, Senator. If you are interested in this issue, you might ask what position the people hold. Unless we know someone has done something terribly wrong, we generally treat the Public Service as an anonymous group from whom services are delivered to government. You might like to ask, for example, what positions they hold. That is another matter. I do not see why someone should have their name bandied around in estimates, where people might infer that they have done something wrong when they may not have.

Senator MARK BISHOP—I am certainly not inferring that they have done anything wrong, but this is a submission not prepared by the government, disavowed by the government, not reflecting government or Centrelink policy.

Ms Vardon—Centrelink does not have a policy.

Senator MARK BISHOP—Then my comment stands. So it is the initiative of an officer within the department not authorised by government.

Senator Vanstone—I think it is Centrelink trying to be helpful by tossing in a few ideas, not necessarily endorsed by them—they were asked to do something and, as ever, Centrelink and FACS try to be helpful.

Senator MARK BISHOP—And, as you said, ‘Not discussed beforehand with either my department or my office and are not government policy.’

Senator Vanstone—Yes. But that does not mean they are not ideas.

Senator MARK BISHOP—I am not saying they are not ideas. I want to know who had the ideas?

Senator Vanstone—Do you want to know the person or the position?

Senator MARK BISHOP—Both.

Mr Bashford—The ideas came from the network.

Senator Vanstone—I counsel against that in terms of the naming of people; I just do not think that is helpful. You are not after individual people here. You are after something; you might like to articulate what. But you certainly are not after getting people’s names bandied around. I just ask you to consider that.

Senator MARK BISHOP—I will think about the point you raised and come back to it. Can you tell me the positions of the persons involved in the preparation of the report?

Mr Bashford—The ideas came from the network, if you like, and it was the responsibility of the national manager of retirement to put together those ideas in a way that was useful for the committee.

Senator MARK BISHOP—All right. Were the persons involved in putting together the submission to the House committee involved in the development of the Treasurer’s *Intergenerational Report*?

Mr Bashford—No.

Senator MARK BISHOP—Not at all?

Mr Bashford—Not at all.

Senator MARK BISHOP—Was there any consultation with the minister’s office at any level prior to the report going in?

Mr Bashford—There was no consultation with the minister’s office.

Senator Vanstone—You are not saying you did not believe me, are you?

Senator MARK BISHOP—I just wanted to have it on the record. The press can be wrong.

Senator Vanstone—No, it is a fair question. I do recall Gareth Evans once saying, ‘I haven’t had it,’ and it was a sort of Miles Cooper defence, as it is called—‘Yes, but my office had it.’ It does happen; something goes to an office and you have 10 people working there and someone has it at the bottom of their in-tray. I do not attribute bad faith to your asking that question.

Senator MARK BISHOP—And neither should you: if I did attribute bad faith, I would tell you.

Senator Vanstone—Yes, you probably would.

Senator MARK BISHOP—The idea in the discussion paper recommended an increase in the retirement age over the age of 55, did it not?

Mr Bashford—There was mention of that, yes. Those were ideas that, as I said, came from our staff in the network and community groups. We just faithfully recorded the ideas that came through from community groups and from our staff.

Senator MARK BISHOP—But it was more than a recitation of good ideas that came through in discussions, wasn’t it? It was a discussion paper that led to particular conclusions based upon, in some respects, quite sound argument. It was not just a mass of ideas that were plucked out of the air.

Ms Vardon—It is not unusual for Centrelink to be asked to give submissions of ideas. I remember that our submission to the welfare reform committee caused people to have conversations and it had some strong influence on the final document, as the people considered many other things. I would have to say that I accept full responsibility for not having gone to the minister’s office. We sent it on because the committee asked for it, and it was an absolute error of judgment on my part. People put some ideas together in good faith, for the melting pot as has already been said, but in hindsight we could have done it another way. It was a genuine effort by our people; there was nothing sinister about it. We were interested in contributing to other people reflecting on some information. We were not recommending policy in that sense or telling people what to do; we were putting a collection of ideas together. I think it is very important to keep that in context. It was not a major attempt to have a big influence on policy; it was ideas from people who cared about the topic. They do not represent a position.

Senator MARK BISHOP—Ms Vardon, I do not really understand the difference between policy development and a group of senior officers having a discussion of ideas, putting them on paper, arguing them fairly soundly, and putting them to a House committee—the difference escapes me.

Mr Sullivan—I think it is a big difference when it comes from a statutory authority. The department of state put a submission to the House of Representatives Standing Committee on Ageing, and we had a wonderful discussion with them on Friday in policy terms. The statutory authority is an independent statutory authority which can put in very different submissions to what a department of state would. That is the major difference.

Senator MARK BISHOP—That is the point I am making: I do not regard it as a useful discussion of ideas; I regard it as a significant document. I am not downplaying its significance.

Mr Sullivan—I am just saying that I think you would look at the submission of the Department of Family and Community Services to such a document in a different light to what a statutory authority submits to a House of Representatives committee. They are independent and produce whatever documents they think it is sensible to produce.

Senator MARK BISHOP—Would an increase in the preservation age for pension recipients above the age of 65 also result in an increase in the eligible age for the age pension?

Mr Bashford—That is a question for the policy makers.

Ms Vardon—I do not think we should comment in any way on policy or reflect or have that conversation here. Those are debates for other committees. We do not want to pursue policy suggestions.

Senator MARK BISHOP—You have been pursuing them. You do not have the right to say that, Ms Vardon. Your agency created the policy paper. Your agency put it in to the House of Representatives committee. Your agency had solutions and recommendations. You just cannot say, 'We don't want to discuss that, because that is policy.' It is.

Ms Vardon—Sure.

Senator MARK BISHOP—I am not asking you to comment on the government's policy. We understand the government's policy and I would not tread that line to examine that. But I am asking in terms of the paper prepared by your agency about the consequences. My question is: if you increase the retirement or preservation age, do you also result in the increase in the eligible age for the age pension? That is an idea that has come from your agency.

Ms Vardon—I understand that, but I am not sure we want to get into a policy conversation at this estimates committee. I stand to be advised, but I do not want our people speculating on policy outcomes or giving opinions on policy suggestions at the estimates. If I am told that is within the scope of the estimates, we will do it.

Senator MARK BISHOP—We are asking you, Ms Vardon, not to comment on government policy or departmental policy as determined by the government, cabinet or department. I am asking you to comment on a submission that your agency put in to a committee. I would suggest that there is a difference between the two. That is my point.

Senator Vanstone—I do not think Ms Vardon is disagreeing with that. What I think she is saying—and she can speak for herself—is that this document was put in because it was requested. Centrelink was trying to be helpful. It simply wanted to put forward a few ideas and has done so and does not see its role as taking it any further than that, and any further policy discussion on those ideas, they would refer to FACS and say, 'Well, you are the policy people. These were just a few ideas. If there is going to be a discussion about them, you do it.'

Senator MARK BISHOP—Has Centrelink examined what savings would result from an increase in retirement age, pension age, at all?

Mr Bashford—No.

Senator MARK BISHOP—The report talks about enhancing work force participation by extending the Australians Working Together initiatives to those above the age of 65. What does that mean?

Mr Bashford—It means encouraging people to stay in the work force longer.

Senator MARK BISHOP—No, in terms of the AWT initiatives: does it mean activity testing for those people who are of age pension age?

Mr Bashford—It does not mention anything about activity testing those people.

Senator MARK BISHOP—No, but it talks about AWT initiatives.

Senator Vanstone—I can think of one. I have not spoken to the people who did this. You are talking about ideas generally raised by them. Let us put that aside and you ask me the question: if you wanted to extend AWT to post-retirement years, what aspects of AWT might you look at extending? Is that what you want to ask me?

Senator MARK BISHOP—That is the question that I asked Ms Vardon in the context of the report her agency put in.

Senator Vanstone—As Ms Vardon said, if you want to discuss policy issues you have to go to FACS, but if you want to ask me the question, I will answer it.

Senator MARK BISHOP—All right.

Senator Vanstone—In the context, I would say, if you people are prepared to pass the AWT bill, get the working credit going, we might see what impact that has, and then we can say, 'Look, this has worked so well; we are going to make a good case to Finance and Treasury to possibly look at extending the working credit to pensioners who might mark exams, do a bit of cleaning up at the bowling club, have intermittent income—and let them keep it. But until we can get it up and running and give it a go, I have not got a hope of being able to extend it to people beyond working age. So I am really looking for your support there, Senator Bishop.

Senator MARK BISHOP—Thank you, Minister. I will just refer you to the office of Mr Swan to have that discussion. It would probably be better if you approached him privately to have those discussions, as opposed to me publicly, just a representative at this level. Thank you for the comment.

Senator Vanstone—I just make the point that people above working age have raised that with me—not a lot, but I intermittently get letters about it. With limited amounts of money around, you have to decide where you want to put it. The first priority has to be to help people of working age get jobs, so that is why we have limited it to that.

Senator MARK BISHOP—Let's go back, Ms Vardon, to your report. It talks about enhancing work force participation by extending the AWT initiatives to those above the age of 65. My question is: doesn't this mean activity testing for people who are of age pension age?

Ms Vardon—I do not think that I want to take this out any further into what might be provocative country. I do not think we have got into those specifics at all.

Senator MARK BISHOP—Your report has. The submission did.

Ms Vardon—I am not sure that it talks about activity testing at all.

Senator MARK BISHOP—No. It talks about extending the Australians Working Together initiative to those above the age of 65.

Senator Vanstone—To be fair, Senator Bishop, I have given you one answer in relation to that.

Senator MARK BISHOP—You have given me an answer, but I am asking Ms Vardon what they meant by that.

Senator Vanstone—I think you have been told a number of times—we are back on this for the third time now—that Centrelink tossed in some ideas. They have no intention of taking them any further. They do not have policy people. They are not a policy authority. If you want

further discussion on any of the ideas they tossed in—that is, you would like them worked up into some policy discussion—you will have to direct your questions on those issues to FACS.

Senator MARK BISHOP—But FACS disavow any responsibility for the submission.

Senator Vanstone—But you are not asking about the bit of paper, the submission, you are asking—

Senator MARK BISHOP—Yes, I am.

Senator Vanstone—No, you are asking about the ideas in them. You are saying, ‘What about this? What would happen if you did this? Could you do that? Would the government look at doing this?’ These are the people—

Senator MARK BISHOP—No, I did not.

Senator Vanstone—Okay, ‘Could you do this? Could you do that?’ These are the people you should direct those questions to.

Senator MARK BISHOP—No, I am not asking you, the government, to comment in terms of policy. I am not asking FACS to comment. I am asking the authors of the report to comment on the ideas they put in their submission to the House committee. I understand what government policy in this area is.

Senator Vanstone—I think they have told you that they have taken the ideas as far as they could. They are not a policy department or agency, and any further policy discussion beyond taking them from simple ideas into policy is something that should be directed elsewhere.

Senator MARK BISHOP—Let me ask a different question, then. Ms Vardon, the report suggests that making pensioner concessions freely available to all retirees would be cheaper than limiting it to pensioners only. What is the basis for that conclusion?

Ms Vardon—I am going to ask Margaret Browne to comment, in the very shortest of terms, because we did not want to pull this out for policy discussion in an estimates committee. Margaret Browne is the person who understands this area. She could perhaps talk to the spirit of the recommendation without going into any details, because it was not our intention that we should put all these issues out in their fullest degree.

Dr Browne—As Ms Vardon says, this is not well-developed policy advice and not intended to be so. What we hear in the network is that a lot of older people are advised to arrange their assets in a way that enables them to qualify for the pension so they can get concessions. We were reflecting the views that are given to us—no more, no less.

Senator Vanstone—We had to introduce that corporations and trusts stuff after we found that old girl down in Tasmania who was furious with her accountant because he got her to shove some flats in some other holding mechanism. She owned a block of flats and she was collecting a pension. Okay, the accountant gave her clever financial advice, but that just means that government has to then introduce whole new strata of legislation to try and get at those people. There is an army of lawyers and accountants out there advising people who are not filthy rich but well enough off to look after themselves as to how they can rearrange their affairs to get the pension and/or benefits.

Senator MARK BISHOP—Does the department have any figures on the per unit cost of providing pensioner concessions?

Ms Vardon—Most of the concessions are provided by state governments.

Senator MARK BISHOP—Yes, they are.

Ms Vardon—There are round figures that people have but we do not have specific state-wide figures.

Senator MARK BISHOP—Does the department monitor—

Senator Vanstone—Are you asking Centrelink or the department?

Senator MARK BISHOP—The department is not here.

Senator Vanstone—The department is here. I am just not sure whether you meant to be asking Centrelink or you meant to be asking the department.

Senator MARK BISHOP—I think it is a policy question, so I am going to ask the department.

Senator Vanstone—Since you are interested in concessions, you might know that the states have been universally unhelpful in agreeing that concessions should be extended. We made an offer of, I think, about 60 per cent to extend the concessions to a broader range of people. I will tell you why.

Senator MARK BISHOP—You were not asked that question.

Senator Vanstone—No, but I am interested in these issues, just as much as you are.

Senator MARK BISHOP—Why don't you say that the states are universally helpful in the range and breadth of concessions that they apply to persons who live within their community? Why don't you say that? It is true.

Senator Vanstone—Because they are not. There are people living in the community who might be living on pension level incomes but, because they have provided for themselves, they might have a Commonwealth senior's health card but they do not have a pension card and they do not get the same concessions. So you end up with a big group of people who, not because they are necessarily clever—women, for example, did not have the opportunity to provide super for themselves and that sort of stuff—but because they have provided for themselves and they have these assets, are living on pension level incomes and are seeing that people who did not provide for themselves, either through whim or lack of ability, are actually better off than them because they have got benefits. That is why we made an offer to the states saying that we will help provide these sorts of concessions to these people as an incentive for people to provide for themselves—because your kids cannot afford for us not to make that change.

Senator MARK BISHOP—Thank you. Mr Sullivan, does the department do any work in the area of costing pensioner concessions that are offered by either Commonwealth or state agencies?

Mr Sullivan—Ms Flanagan will deal with that.

Ms Flanagan—The biggest cost that occurs from people holding concessions is of course through pharmaceutical benefits, which is a health expenditure. In addition, the states offer different sorts of concessions as you go around the states. We did a report a number of years ago—I do not know whether that work has been updated—to try to estimate the value of particular concessions that are given by each state. I can see whether we have any data or more up-to-date data.

Senator MARK BISHOP—Could you take that on notice, Ms Flanagan?

Ms Flanagan—Yes.

Senator MARK BISHOP—Ms Vardon, going back to the Centrelink submission, at page 16 the submission is quite critical of the pension bonus scheme, labelling or describing it as unsuccessful. Why is that?

Ms Vardon—We can sit here all day and make various comments on things. I accept your question, but it is in fact an opinion of some people. I am not sure that—

Senator MARK BISHOP—They might have had an opinion that it was successful.

Ms Vardon—They might have.

Senator MARK BISHOP—But they did not. I am asking why they had the opinion that it was unsuccessful.

Dr Browne—Without getting to opinions, I think the answer is that the take-up of the question bonus scheme has not been very large. Again, the feedback from the network is that people do not always necessarily understand it and they are not necessarily influenced by it in the decisions they make about staying in the work force. There is some review going on of that program.

Senator MARK BISHOP—Where is that review at?

Dr Browne—I am not aware of that.

Senator MARK BISHOP—What is happening with the review of the pension bonus scheme?

Ms Flanagan—There has been a preliminary review done by ORIMA research. That is currently being considered. As you would know, the government has set up a demographics task force to look very broadly at the ageing of the population and the responses that government needs to make to that. The results of that report and consideration of the pension bonus scheme have been taken up through the demographics task force.

Senator MARK BISHOP—Ms Flanagan, you said ‘a preliminary report’. So the preliminary report has gone to the Aged Task Force. Will there be a further and final report on the Pensioner Bonus Scheme?

Ms Flanagan—We have not commissioned that yet. As I say, it has been taken up into a more general look at the responses that government might make to an ageing—

Senator MARK BISHOP—Let me ask the question a different way. Has the work on the Pensioner Bonus Scheme that was contracted out to that consultancy now been subsumed in the Demographics Task Force?

Ms Flanagan—That is correct.

Senator MARK BISHOP—Is there any intention to release that report publicly?

Ms Flanagan—Not at this point.

Senator MARK BISHOP—Has it been to the minister’s office?

Mr Dolan—The department has received the report and the report is being considered as part of the policy deliberation process.

Senator MARK BISHOP—Is the policy deliberation process a process of the department or of the relevant cabinet subcommittee?

Ms Flanagan—The department is a key member of the Demographics Task Force. There is a range of work going on in different policy departments that is, in effect, being coordinated through the Demographics Task Force.

Senator MARK BISHOP—That is fine, I do not need to go down that particular path at this stage. That concludes my questions to Ms Vardon in this area, but I think Senator Moore may have some issues to pursue.

Senator MOORE—In the same report on page 24 it makes mention of some examples where Centrelink have been involved with supporting community agencies and delivering programs to the retired community. It particularly mentions three programs where there has been some voluntary support. Is there any information about those activities? They sound very positive, but they are just dot points in this report. Could we get some information on how they work and what has been the community response to them?

Dr Browne—We can take that on notice.

Senator MOORE—That would be wonderful. Thank you.

Ms Vardon—Just to finish off the question in relation to international overseas pensions, Mr Barson has spoken to our people in Tasmania and I believe is ready to answer your questions.

Senator MARK BISHOP—Thank you, Mr Barson.

Mr Barson—I need to clarify some of the points that were made in the responses. I think there was some confusion between pensions paid from overseas into Australia and pensions paid from Australia overseas. You asked how frequently changes were made to the Australian pension in respect of exchange rate adjustments to pensions paid from overseas. The answer is that those changes are made each month. If there is a dispute with a customer as to whether those adjustments are fair and correct or not, and if there is a difference of greater than five per cent in the rate the customer believes should have been applied and the rate that was applied, that individual case is reviewed.

You also asked whether people have to notify Centrelink of changes in their pension rates because of the exchange rate. The correct answer is that, where a change occurs in the amount of an overseas pension purely because of exchange rate changes, they do not have to notify Centrelink—those adjustments are made automatically and picked up according to our exchange rates. However, when the change happens because of a combination of factors, including CPI and other changes to the pension rate, whether or not that includes an exchange rate variation, they are required to notify us. So the simple answer is that they must notify us of any changes that occur in the base rate of the foreign pension; they do not have to notify us of changes in the Australian value of that amount which occurred because of currency changes.

Senator MARK BISHOP—And the issue of the spike-up?

Mr Barson—I do not have an answer on that, I am sorry. We will take that on notice and get back to you.

Senator MARK BISHOP—That is fine. Thank you, Mr Barson.

In the context of the Boston Consulting Group review, firstly I want to turn to the issue of the pricing review. What is the status of that at the moment? Can you bring us up to date, Ms Vardon?

Ms Vardon—Mr Hickey will be happy to report to you.

Mr Hickey—That is part of a process leading towards the government's budget deliberations, so the outcomes of that process will be announced as part of the budget.

Senator MARK BISHOP—I see. Centrelink—and correct me if I am wrong—has had a position to date of opposing the fee for service model that has been suggested by other departments. Has the position of Centrelink changed at all?

Ms Vardon—Centrelink has only ever objected to one part of the model and that was in relation to bonus payments. I am not quite sure what you mean by ‘fee for service’ because we actually operate a fee for service operation. We are not funded directly by government; we get our money from our client departments.

Senator MARK BISHOP—Yes, and my understanding is that other departments favoured the funding formula to be changed for Centrelink, going to a fee for service model. Centrelink had been resisting such change or had a different policy, and I am just asking whether things have changed since the last time we spoke.

Mr Hickey—We discussed these matters some Senate estimates processes back—I suspect about three or four back. The development of a revised Centrelink funding model is proceeding in parallel with the pricing review as part of the budget processes and again the announcements of the government’s consideration of those matters will be part of the budget.

Senator MARK BISHOP—Has Centrelink concluded its deliberations in that area?

Mr Hickey—We are working with client agencies and central agencies as part of the government’s consideration of the process.

Senator MARK BISHOP—Okay. What I am trying to get at, Mr Hickey, is whether we can anticipate change in the funding model in the future.

Mr Hickey—That is ultimately for the government to decide. I cannot speculate on that.

Senator MARK BISHOP—Is it the recommendation of your agency and the other agencies who are your clients to that effect?

Mr Hickey—It is part of the budget processes. It is not something that I am at liberty to speculate about at the moment. Whatever decisions the government makes in terms of how Centrelink is funded into the future will be announced as part of the budget and we would be happy to discuss the elements of any new arrangements at that point.

Senator MARK BISHOP—In terms of the new pricing formula, discussion is ongoing with DOFA and client departments but that is in the context of budget deliberations and the final decision will be that of the government. Is that correct?

Mr Hickey—Yes.

Senator MARK BISHOP—Has Boston Consulting been involved in those internal negotiations?

Mr Hickey—Not as part of the development of our new funding model. The report that they produced on efficiency in Centrelink was an input into the considerations that are going on about the pricing review element of those deliberations. It is an input but they are not at the table as part of the ongoing discussions.

Senator MARK BISHOP—Having delivered you a final report and presumably briefed you on it, has their role ended or does their contract provide for further input?

Mr Hickey—No. In relation to this particular project, their role has ended.

Senator MARK BISHOP—The Boston report recommends a more strategic approach to the issue of notifiable offence, namely that a way should be found to target a proportion of

customers based on risk rather than covering everyone—that is, a more exact or targeted approach. What is Centrelink's response to this suggestion? Does it have merit?

Mr Hickey—The issue of notifiable events is essentially around the rules and policy base which we are required to implement. They are matters for FACS to consider in the first instance.

Mr Sullivan—The Boston report was useful in understanding Centrelink's cost structures. A lot of money goes in Centrelink in administering notifiable events. That is interesting, and Boston certainly said that it is something we could look at as a group of costs. We have, of course, been looking at this issue for some time. You have raised issues such as profiling and all sorts of other things which are in effect in advance of the Boston report's movement in how we do business. Notifiable events are not taken lightly. There have been changes over the years in the way we do notifiable events. The most resource intensive notifiable event is the requirement that Newstart recipients report, and other ways of doing that have been tried in the past. In the policy response to Boston we are certainly looking, as we have been, at the whole range of notifiable events that we ask Centrelink to administer for us to see whether we can improve them in relation to what they seek to achieve, what impact they have on the customer in terms of time and effort, and the protection of Commonwealth moneys.

Senator MARK BISHOP—So they have made the suggestion and you are treating it seriously; you are reviewing it and discussing it with the department?

Mr Sullivan—That is right.

Senator MARK BISHOP—That is the net of that?

Mr Sullivan—Yes.

Senator MARK BISHOP—When do you anticipate that decision being made?

Mr Sullivan—I do not know whether we will be saying, 'This is the response to Boston.' Boston was very interesting. It gave us, and I think it gave Centrelink, an insight into where money was being spent and the efficiency of Centrelink. It was a positive document. It tried to make comparisons between Centrelink and other large service delivery operations and found very favourably in respect of things such as application management. It recognised that Centrelink spent a whole lot more money, at our request—not just because they decided to but at our request—on the management through the cycle of customers who are on a pension or benefit. I think it is fair to say that they had difficulty in finding a benchmark to compare that activity with. They looked at people such as personal loan recipients, home loan recipients and insurance customers, and they properly reported: 'Here is an element of your cost structures which, one, is significant and, two, we have trouble benchmarking, and therefore you should look at it.' We accept the report in that spirit.

As I say, the report overlapped work that has been going on under all sorts of guises, including simplification and profiling. We certainly want to ensure that we are not asking customers to do more than they need to do in their interaction with us through Centrelink. It gets back to that discussion we started with today about data matching and returns. The whole effort behind data matching and notifiable events is to ensure compliance—and that is why we call our programs 'compliance programs', not 'detection programs'. It is basically to encourage customers to make available to us through Centrelink the information which will conclude with an accurate assessment and payment of a benefit or pension. We think what Boston did was useful. It certainly highlighted to us that part of our work was being responsible for absorbing a large amount of revenue which we pass to Centrelink for their

activities. We have accepted, and we have informed the Centrelink board, that the policy response, or the response largely to the notifiable events area, is one which we will progress.

Senator MARK BISHOP—That is going to be a response by FACS. Are you currently in discussions with client departments as to how to address the proportion of notifiable events?

Mr Sullivan—We are the 90 per cent client of Centrelink. There are other client departments and they are significant, but you may remember that the second most significant client of Centrelink is the 7½ per cent partner. We are the agency that overwhelmingly is responsible for notifiable events. In respect of all the work that we are doing, we do liaise with our fellow departments—particularly DEWR but also DEST and others—that form the customer base of Centrelink. As I say, this is not developing into the FACS response to the Boston Consulting report. This is saying, ‘Here is an issue.’ Centrelink looked and said, ‘Well there you are, FACS; that is your issue.’ We discussed it with Centrelink, it was discussed in the Centrelink board and it was agreed that FACS is the agency responsible for looking at notifiable events.

Senator MARK BISHOP—What is the time frame for that work by FACS?

Mr Sullivan—It is ongoing. We have implemented areas of change in terms of notifiable events prior to the Boston Consulting report and we anticipate that we will continue to look at initiatives which would fit into this area.

Senator MARK BISHOP—Ms Vardon, turning to the reduction in staff entitlements, do you agree with the substance of Boston’s assessment of your call centres that reductions in staff entitlements—and here I refer particularly to leave—are needed to make them more efficient?

Ms Vardon—I will ask Mr Hickey to comment on that. The call centres come under his jurisdiction.

Mr Hickey—I think the report was pointing to elements of our cost structure, including in the call centres, where public sector conditions are more beneficial to employees than those of other private sector call centre operations. There is no recommendation in this report that we should reduce those conditions, nor have we proposed any reduction in such conditions as part of our negotiations with employees. If we intended to do that—and we do not—we could only do it through the certified agreement-making processes.

Senator MARK BISHOP—The cost of staff is one of the issues they identify on page 39, where they say:

Given the complexity of Centrelink’s work, staff requires capabilities that are likely to attract higher than average call centre remuneration.

So they address that issue.

Mr Hickey—What that is actually saying is that, if you take, for example, one of the push selling call centre operations, the level of knowledge required to make the call is related to a specific product and purpose. The complexity of the work that we deliver requires staff who have broader knowledge of quite complex program entitlements and individual circumstances and the capacity to make judgments. So I think that particular statement is really saying that there would be underlying reasons, given the nature of the business we do, which would suggest that we would have to pay more anyway because of the nature of the work that we do.

Senator MARK BISHOP—The nature of the work being more complex than that of other call centres is identified in the report, so I am not at issue with that. I am raising the particular recommendation 6.2.3, No. 1, which states:

Centrelink should reduce call centre costs by bringing personal leave down to area network levels and increasing staff utilisation to internal best practice levels.

So there is an explicit recommendation.

Ms Vardon—But that is not an entitlement; that is a practice.

Mr Hickey—That is a management issue, not an entitlement issue. The recommendation is saying that, within the call centres, the use of the entitlements by staff on average is higher than the use of the same entitlements by staff in the customer service centre network and that we should be looking at ways in which we might be able to bring those things closer together.

Senator MARK BISHOP—Okay, I understand.

Mr Hickey—It is the management of it, not the use of the entitlement per se.

Senator MARK BISHOP—When they say ‘use of entitlements’, what does that mean? What is that a euphemism for?

Mr Hickey—It is the number of days of personal leave that people have taken.

Senator MARK BISHOP—It is sickies?

Mr Hickey—Yes—family responsibilities and the like.

Senator MARK BISHOP—How much is Centrelink above the average? I have it here—it is significant. You regard that as a management practice—

Mr Hickey—It is in part about management and it is in part about our capacity to encourage positive attendance strategies, so there is a range of complex issues. We need to understand the underlying causes of absenteeism and how we might better manage them. They are the same issues that any organisation faces.

Ms Vardon—It is a priority for the management team in call centres and they are taking it very seriously.

Senator MARK BISHOP—So that process has already been initiated?

Ms Vardon—Yes, it has been there all the time, but they have ramped it up lately just to make sure that they get the positive attendance strategies working.

Senator MARK BISHOP—Does Centrelink agree that further rationalisation of back office functions would enhance efficiency?

Ms Vardon—Yes—in fact, it was our idea. We have been doing it a lot. What they said was, ‘You should do it faster,’ and we agree, and we have actually been making that happen faster.

Senator MARK BISHOP—Are you giving any consideration to consolidation of your call centres?

Mr Hickey—The only issue that we have raised is the operation of the call centre that was based at Darlinghurst that we discussed at the last Senate estimates processes. We have no immediate plans at the moment, other than the measures associated with Darlinghurst, to further contract the network.

Senator MARK BISHOP—The report makes it clear that Centrelink’s IT spend has been declining at a time when other businesses have dramatically boosted expenditure. Why is that? How do you explain that?

Mr Hickey—I think principally because you are comparing a public sector organisation, Centrelink, in this case benchmarked against practices in the Australian banks which have access to far greater levels of risk capital than we do.

Senator MARK BISHOP—They have chosen to benchmark you to the retail banks and they observed that the banks have a much heavier emphasis on IT investment. Do you regard that as an appropriate benchmark for essentially a public sector organisation?

Mr Hickey—It was the best available benchmark that they were able to identify. The challenge in this whole exercise was in looking at any aspect of our operations and our cost structures to be able to identify the best available benchmark. There is no comparator that Boston could find that was the equivalent of Centrelink in any respect in our operations. So that qualification is written through this report. Looking at aspects of our operations—and that would include new claim processing, notifiable events and so on—Boston then looked for what they regarded as being the best available benchmark and, in relation to IT spend, what they were looking for was large networked organisations with a very decentralised service delivery system as the best available benchmark.

Senator MARK BISHOP—In terms of IT spend, the quantum invested and then benchmarked to the retail banks, looking at that in isolation, does that benchmarking have any real value to Centrelink?

Mr Hickey—Not in isolation. Again, it is an indicator. I think the conclusion that Boston came to was that our maintenance costs—that is, the costs of keeping the systems operating at an efficient level; and they do say that the systems are quite strong and performing well—and the operation of our IT systems were efficient as well as being robust. So that general conclusion was of some significant comfort to us. But it does not say that because the banks spend \$X we should also be spending at the rate of \$X.

Senator MARK BISHOP—What does Boston mean when they say that Centrelink's IT investment is 'geared to keeping the lights on'? What does that mean?

Mr Hickey—It means that a very large proportion of our total IT spend is targeted at maintaining existing systems—the existing service delivery networks that we have—and that our spend on new developments, looking ahead, is relatively limited.

Senator MARK BISHOP—Why is that? Do you think that the current system either does not need to be or cannot be dramatically improved? Why the spend on maintenance as opposed to going into new and better systems?

Mr Hickey—Because the ongoing effective operation of the IT systems is absolutely critical to making the 6½ million payments each fortnight. Of necessity, there is a need to ensure that what we have got there keeps ticking over effectively. We add to our capability year by year as the government makes decisions through the budget process about new functions that we might undertake. There have been recent announcements, for example, about the development of a thing called the 'customer account', which is a technology development within Centrelink that will greatly simplify access to a customer's record; and the issues to do with risk profiling that Mr Sullivan spoke about inevitably lead through into developments in our system that enhance our overall capabilities. So, as opposed to the banks, who have risk capital and are able to access it to make investment decisions, our investment decisions in effect come through the annual budget processes of putting ideas in front of government and, as part of the budget-setting decision-making processes, they either succeed or they do not.

Senator MARK BISHOP—But the banks have the same internal processes—they have annual budgeting and allocation of resources based on policy recommendations that come up to and are endorsed by their boards. There is no difference in that.

Ms Vardon—We cannot go out and borrow in an open market using our assets as security.

Senator MARK BISHOP—No.

Ms Vardon—We do not have access to that capital investment at all.

Senator MARK BISHOP—We are getting a bit esoteric here. Banks borrow funds for the purpose of lending; they do their investments in capital through retained earnings.

Mr Hickey—That is right, but equally you would also have to look at their risk appetite relative to a public sector organisation that does not have big capital reserves.

Ms Vardon—Plus they can make a profit.

Mr Hickey—The decision-making context is quite different.

Senator MARK BISHOP—It is; I am not saying it is not. So we have this heavy investment in IT in Centrelink, and it is dedicated more to maintenance, for the reasons outlined by Mr Hickey. Does that pose any risks to the organisation going into the future, Mr Hickey?

Mr Hickey—Ultimately, it could become a question of our capacity to keep pace with the sorts of technology developments that we see happening globally and in other large network organisations; for example, it could impact on the extent to which we were able to automate routine processes that are currently done manually. In terms of our capacity to provide access to customers online to their records, we need to be able to keep pace with the sorts of technology developments that are going on. So, over a period of time, these things could impact, but they are assessments that need to be made each year, as I say, as part of the budget processes that we go through.

Senator MARK BISHOP—Could you provide the committee with the figures that underpin Boston's analysis? Could you take that on notice?

Mr Hickey—In terms of our cost structures and the investments that we make?

Senator MARK BISHOP—In the IT area.

Mr Hickey—Yes, certainly.

Senator MARK BISHOP—The Boston report makes reference to the high rate of rent paid by the agency for your headquarters at Tuggeranong Office Park. What is the nature of the lease? How long is Centrelink committed to it?

Mr Hickey—I believe it is for another 15 years, off the top of my head.

Mr Sullivan—Tuggeranong Office Park was constructed by the Commonwealth—by the then government—in the early nineties with a very complex arrangement involving a set of debenture holders guaranteed a certain rate of return linked to various indices. The result is that the rent that FACS and Centrelink pay for TOP is not a market competitive rent—it is well above market levels of rent. Through our predecessor in those times, the Department of Social Security, we are committed to the building for 20 years.

Senator MARK BISHOP—When do the 20 years expire?

Mr Sullivan—In about 10 years time.

Senator MARK BISHOP—We now go to the FTB reconciliation and related initiatives. I would like an update on the 2001-02 family assistance reconciliation. How many families have an FTB overpayment for the financial year 2001-02?

Mr Kalisch—The latest results we have suggest that, in terms of debts, there are 496,417. The number of top-ups are 380,684 and the number of nil adjustments are 558,262. That makes a total number of 1,435,363 families reconciled as at 27 December 2002. That is a change on the estimates we provided last time of just over 400,000 extra families reconciled. We have had a large increase in top-ups, an increase in the number of people reported as having debts and also an increase in nil adjustments. What is interesting is that the percentages are relatively consistent over the numbers from the last estimates, but there has been a change in the proportions from last year's reconciliation.

Senator MARK BISHOP—I will come back to each of those issues because they are the obvious ones for exploration. What is the total value of these FTB overpayments?

Mr Kalisch—On the most recent figures, the average value of the top-ups is \$746 per family; on the debt side it is \$801. So, in terms of change from last estimates, we are seeing a significant increase in the value of the average top-up and a small increase in the value of the average debt.

Senator JACINTA COLLINS—Mr Kalisch, can I just go back to your earlier comment about the numbers of debts. How do you say that has adjusted from the last period?

Mr Kalisch—It was 496,417 this time, and it was 336,080 at the last estimates period.

Ms Curran—If I could just add to that: this is a progressive total, it is not complete.

Senator JACINTA COLLINS—That is right. Are you at the same stage for the same point in the period?

Ms Curran—Compared with the previous year?

Senator JACINTA COLLINS—In terms of it being a progressive total, yes.

Ms Curran—We do not actually have comparable figures for this time last year but numbers that, I think, were given at estimates last year were that about \$1.4 million had been reconciled roughly at the same period, and Centrelink has reconciled this year \$1.435 million, so it has slightly increased.

Mr Kalisch—It is generally comparable.

Senator MARK BISHOP—You gave me those figures of \$746 and \$801. They were average figures. What was the total value of the FTB overpayments, Mr Kalisch?

Mr Kalisch—I do not have that but we could probably calculate that on the basis of those averages, unless Ms Curran or Mr Tidswell has that.

Ms Curran—No, I do not have those to hand.

Mr Kalisch—It would be easy enough to calculate just on those averages.

Senator MARK BISHOP—Would you mind doing that for me in due course. The average FTB overpayment was \$746. How many families have a CCB overpayment?

Mr Popple—There are 128,900 families who have got CCB overpayments as of 27 December.

Senator MARK BISHOP—What is the total value of those overpayments?

Mr Popple—It is \$34 million.

Senator MARK BISHOP—What is the average?

Mr Popple—The average is \$271.

Senator MARK BISHOP—Those figures are at 27 December, did you say?

Mr Popple—Yes.

Senator MARK BISHOP—Coming back to that issue you raised, Ms Curran: in percentage terms, how far progressed is the 2001-02 FTB reconciliation? Where are we at?

Ms Curran—If we assume that around 1.8 million families receive FTB, we are very substantially progressed with the reconciliation process.

Senator MARK BISHOP—About 80 per cent, you reckon?

Ms Curran—Yes.

Senator MARK BISHOP—When do we expect the process to be concluded?

Ms Curran—That obviously depends on when people lodge their tax returns.

Senator MARK BISHOP—So we are into that debate again.

Senator JACINTA COLLINS—What is your estimation of the take-up of FTB?

Ms Curran—In terms of the number?

Senator JACINTA COLLINS—Of total families.

Mr Kalisch—Can I just clarify that: the number of eligible families?

Senator JACINTA COLLINS—Yes.

Mr Kalisch—I think that is quite a difficult question. We have got some information from the census because, as you would appreciate, there are some issues around eligibility on the basis of income, but there are also other eligibility rules in our family tax benefit system in regard to residency and other requirements. I am not aware of whether we have done too much research on that dimension more recently, but I know there were certainly some studies done in the previous family assistance system which suggested that about 90 per cent of all expenditure was covered at that time. With a tax based system it might actually be a bit higher now.

Senator JACINTA COLLINS—Can you take that on notice and see if there is anything that might inform us on that.

Mr Kalisch—We will see whether there is something and come back to you if there is something.

Senator JACINTA COLLINS—And also CCB as well?

Mr Kalisch—Yes.

Senator JACINTA COLLINS—Thank you.

Senator MARK BISHOP—Do you have available the total number of FTB and CCB debts?

Ms Curran—Could you just tease out the question a bit more.

Senator MARK BISHOP—The figures you gave me for both FTB and CCB are figures that were pulled out at 27 December, I think you said.

Ms Curran—Yes.

Senator MARK BISHOP—When the year's work is done, the process is completed, what is the expected number of FTB and CCB debts?

Ms Curran—We have not made a projection in terms of forecast debts. On a trend basis, compared to last year the debt figures are actually declining. We would anticipate on a 'go forward' basis with the introduction of the more choice options that over time on a full year basis that trend will continue to decline.

Senator MARK BISHOP—So debts are expected to decline over time in absolute per annum numbers. What about overpayments?

Mr Kalisch—That is tracking slightly differently.

Senator MARK BISHOP—How is that tracking?

Mr Kalisch—That is tracking on a slightly higher amount. We have, on the same basis as last year, more families seeking top-ups. The more choice initiative may take that still higher as some families choose to defer part of their payment until the end of the financial year. So it is balancing—it is going in the right direction in both areas.

Senator MARK BISHOP—In aggregate?

Mr Kalisch—In terms of both lower debts and higher numbers of top-ups.

Senator MARK BISHOP—Is the trend line for higher numbers of top-ups significant or just marginal?

Mr Kalisch—The comparable figure is the one at the same time last year on the basis of the previous financial year's numbers. There is quite a change. The proportion of those reconciled who had top-ups was 15 per cent last year and this year it is 27 per cent, so it was quite a substantial increase.

Senator JACINTA COLLINS—Mr Kalisch, how is it that you feel that the debt figures are going down when you indicated earlier that the average debt amount was increasing slightly?

Mr Kalisch—That is increasing on the last time we were at estimates for this financial year. Comparing this financial year with last financial year at about the same time, the difference is \$5. It was \$796 last year and \$801 this year, so it is broadly comparable. I did mention that there was a change from the last estimates hearings.

Senator JACINTA COLLINS—Do you have a graph of that trend data?

Mr Kalisch—We could certainly compile one for you and make that available to senators.

Senator JACINTA COLLINS—I would appreciate that.

Senator MARK BISHOP—What is the last financial year for which you have concluded the process—2001?

Mr Kalisch—The 2000-01 year is the one that is much closer to finalisation. As I say, and as is probably pertinent, there are still some people who have not launched—

Senator MARK BISHOP—It would be so close to finalisation that the figures drawn would be accurate?

Mr Kalisch—Broadly, yes.

Senator MARK BISHOP—When will we get to that stage for the 2001-02 year? Towards the end of this year?

Mr Kalisch—Yes, towards the end of this year. It would certainly be after we have had sufficient time for people to go beyond 30 June and for our systems to deal with those reconciliations towards the end of this financial year. Even then, there may well still be some families that lodge late and will then be processed. But, as you mentioned earlier, there are relatively few families in that system.

Senator MARK BISHOP—The reason I am exploring this goes back to the question I asked Ms Curran when I was trying to get a handle on the expected total number of FTB and CCB debts. On the basis of an almost complete set of 2000-01 figures and the comparison analysis you would do for the year to date, what do you suggest is going to be the expected total number? Can you forecast?

Mr Kalisch—We have not done those forecasts and I would be quite loath to give you some guesses—and that is all they would be. We have an indication of the trend at this stage from the data that is presenting itself but we would not be confident to give you any forecasts now.

Senator MARK BISHOP—And that trend could change between July and August, couldn't it?

Mr Kalisch—As I say, the other complication is the introduction of the more choice initiatives that are rolling out from November, which do give families more choices around how they settle their family tax benefit arrangements. It will also influence the trend towards increasing proportions of top-ups and reducing proportions of debts amongst the FTB population.

Senator MARK BISHOP—I presume you take these overpayments, however inaccurate they might be because of the lack of accurate data at this stage, into account in relation to the anticipated family assistance outlays in the upcoming budget?

Mr Kalisch—Yes.

Ms Curran—In terms of the additional estimates—

Mr Kalisch—Could I just clarify that. Are you talking about the forward estimates?

Senator MARK BISHOP—I am talking about the budget which is going to come down in May and which you are doing the work on now. We are having this discussion about the total of the overpayments, and I am asking whether that total of overpayments, no matter how inaccurate, is part of the modelling figures that are used in the figures you send for the budget.

Mr Kalisch—We certainly do revised estimates on each of the major program areas, of which FTB is a fairly significant one, and we would take into account these aspects, such as these trends, as we do those estimates.

Senator JACINTA COLLINS—Are there adjustments in these current additional statements?

Ms Curran—Yes. To add to Mr Kalisch's answer, the estimates that we prepare are based on the entitlement to FTB. So in terms of the additional estimates we have made some assumptions about behavioural responses as a result of the take-up of more choice options.

Senator JACINTA COLLINS—What are those assumptions?

Ms Curran—It is quite complicated, but broadly what we have said is that certain client groups will take up the option of reducing their FTB entitlement either on a continuous adjustment basis to adjust for an overpayment that they already know about, or they might adjust their FTB entitlement to reduce and so defer part of their entitlement and take it as a

lump sum at the end of the year. That has an impact on our outlays because the fortnightly payments tend to be reduced.

Mr Kalisch—It may well have a difference of almost a cross-year financial accounting dimension.

Senator MARK BISHOP—You have told me that these FTB and CCB overpayments are going to be considered in trend terms for the budget. Are any figures available yet on the breakdown of FTB debts attributable to FTBA and FTBB?

Mr Tidswell—We have given that answer a number of times at other estimates hearings about our inability to get that data. I can confirm that we have gone back and looked, and we cannot do that. The construction of the system, as I have previously explained, prevents us from doing it. So we do not have that ability to get that sort of data. We would have to rebuild the system.

Senator JACINTA COLLINS—Is there scope to achieve that at any point in the future?

Mr Tidswell—Only if it was decided—and the money was available—to make a fundamental change in how we have designed and built the system. So at this stage it is certainly not in scope.

Senator MARK BISHOP—Short of change in the design features in the system, those figures are not going to be available?

Mr Tidswell—That is correct.

Senator MARK BISHOP—So we know the answer to that question; good. I want to go to the issue that has been raised by Senator Collins—new payment choices. How far advanced is that initiative announced by Senator Vanstone last year? Where are we at with the implementation?

Ms Curran—In terms of roll-out?

Senator MARK BISHOP—Yes.

Ms Curran—Perhaps I could refer to our Centrelink colleague Mr Tidswell. The minister announced the measures in November and it is being progressively rolled out since then.

Mr Tidswell—In September the initiative was announced and in November we put our first major initiative in place. Since that date, up to 31 January this year, 12,954 customers have taken up the choices that we introduced on 18 November. We have a range of things being put in the system, as we speak, this weekend. That will give us more scope to provide a broader range of choices to more families from next week onwards. We plan also then to do a major mail-out to approximately two million families to explain to them the choices—that should be hitting post boxes by about March—and the options and what they can do in that instance.

Senator MARK BISHOP—So all options are not yet currently available?

Mr Tidswell—That is correct. We are rolling them out progressively as we get the capability in place and inform customers and give them the chance to respond.

Senator MARK BISHOP—When do you anticipate that all options will be available for customers to access?

Mr Tidswell—I think by about 1 July we should have everything in place—all our systems, solutions and options for customers. As of this weekend, the majority of those options will be available.

Senator JACINTA COLLINS—Which ones will not be available?

Ms Babbage—One of the options that we are introducing in February is to adjust a customer's rate of payment for any potential overpayment that they may have incurred to date. In February, we will rely on customers coming to us to tell us that they have an increase in their income and we will then do that process to adjust their payment, if they wish us to do that. There are some other sources of income that come to Centrelink through various interfaces, such as the Child Support Agency. From July, we will be able to also introduce a process which adjusts for any potential overpayment when we get advice through that interface of an increase in income and, on that basis, provided the customer is happy for us to do that, we will be able to automatically adjust a customer's payment to take into account any potential overpayment.

Senator MARK BISHOP—Are the new payment choices in the area of FBT and CCB?

Ms Babbage—Yes.

Senator MARK BISHOP—Going directly from your response, is this going to significantly reduce the number of unders and overs that emerged from the design feature of the system which we have been discussing for the last couple of years? Will it have that affect?

Ms Babbage—What it will mean is that, when a customer advises us of an increase in their income, they will have the option for us to go back and do, if you like, a mini reconciliation of their payments up until that point, look at the projected income and payments to the end of the year, and come up with an overall payment that reduces as far as possible the potential for any overpayment.

Senator MARK BISHOP—It is going to have the effect of reducing both the number and the quantum of debts and overpayments that are accumulated by customers who communicate a change in details to the agency, isn't it?

Ms Babbage—Yes, that is correct.

Senator JACINTA COLLINS—When will that occur from?

Ms Babbage—At the current time—and it has been operating from 18 November—we have been able to do that process for a substantial number of customers, but from the middle of February we will be able to do that for all customers who come in to us advising of an increase in their income.

Senator JACINTA COLLINS—Wasn't the issue here that—and certainly I think many of our electorate offices suffered complaints for this reason—many people assumed that when they told you of an adjusted income figure that would be the Centrelink response? So it will not be until mid-February that that often assumed position by many of your customers will now be available to all customers.

Ms Babbage—Yes, on the basis that they agree that they would like us to do that.

Senator JACINTA COLLINS—Yes.

Senator Vanstone—Can I just clarify: that was not because Centrelink was not doing their job; that was because the legislation requires people to be paid at the rate of their notified income rather than at a rate which will give them zero overpayment at the end of the year, given the variation in income that they have had. So Centrelink have been doing their job properly.

Senator JACINTA COLLINS—We are not suggesting Centrelink were not doing their job. Perhaps we did not do our job properly.

Senator Vanstone—That was in case that was not clear.

Senator MARK BISHOP—What percentage of your customers take the effort to advise you of changes in income?

Mr Tidswell—In a given year—and we have put that on the record before—we might have 1.5 million changes in income estimates. So it is a very high proportion of our customer base. A lot of people change it a number of times as their income varies. What we want to try and do is look at those families who are in risk groups, in terms of the taper, and give them some advice about these choices or flexibility in how they receive their entitlements.

Senator MARK BISHOP—So this is going in in February. How long before you will have some sort of indicator of its success or otherwise?

Mr Tidswell—It will take some time for people to understand what the options are about. Obviously, already 12,954 customers have taken up the option that we have put in place since November. And we have not put anything out—these are people ringing us or coming into our offices. When we send out the two million newsletters, we expect that will trigger some demand. Hopefully, it will trigger the demand to those people most at risk. Unfortunately, it is late in the financial year cycle, but we hope to have some impact. As my colleagues in FACS have said, we have had some dampening down of debt levels this year.

Senator MARK BISHOP—When will you do some market testing on this to see how it has been received?

Mr Tidswell—We will be watching the numbers of people that take up the initiative and then we will run some data jobs to look at the impact that is having in terms of how people have chosen the options, what things have been taken advantage of and whether we need to do any further work to encourage people to take this option or that option. So we will be looking closely at it. It would be difficult to have a comprehensive view of the initiative inside of 12 months, I would imagine.

Senator MARK BISHOP—To knit all that up: there was the minister's announcement late last year; you are progressively rolling out the options, with further options this weekend; there has been some small pick-up—12,000-odd—of customers to date who heard about it on the grapevine, and you will do your data-matching analysis in due course. Apart from the letter that is going out to those two million customers, will you be using any other communication strategies to communicate the new ideas?

Mr Tidswell—We are currently working with some consultants to provide advice about the best way we can reach customers with this particular approach. That consultancy has been helping to design the newsletter and getting the key messages right. But we have yet to receive any report about how to go forward with a broader communication approach.

Senator MARK BISHOP—Which consultancy are you using for this job?

Mr Tidswell—It is my understanding that it is ORIMA.

Senator MARK BISHOP—That work would be largely completed?

Mr Tidswell—I am not sure whether it is largely completed. Certainly, the work on the newsletter is complete because we are in the final stages of editing, but I have not seen any report with respect to the broader communication approach—how we get this message out. The first plank is the newsletter, and then we need to look at a variety of means to get information to families.

Senator MARK BISHOP—Part of ORIMA's brief is to come up with further recommendations as to where we go after the newsletter in terms of a communications strategy; is that correct?

Mr Tidswell—Yes.

Senator MARK BISHOP—Could you make available a copy of that material when you have it?

Mr Tidswell—I will take that on notice.

Senator MOORE—Does this process involve people coming into the office, or can they do it over the phone via the call centre with an exchange of documents?

Mr Tidswell—They can do it over the phone. They can come into our offices.

Senator MOORE—So there is no necessary interview with this process?

Mr Tidswell—No. They can do it over the phone. We can explain the choices and then they can elect to take up the options.

Senator MOORE—Is there any idea how the 12,500 people who have already made changes have done that? Has that been mainly by phone?

Mr Tidswell—I would imagine mainly by phone. I do not have the exact figures in front of me. Most of our business in this area is transacted over the telephone, so I would imagine that it would be a pro rata sense. People have rung in and we have identified that they are at risk of overpayment and are in the group that we can apply the solution to, and we have offered it to them.

Senator MOORE—After any changes have been made, they then get a letter confirming the changes so they know exactly what has happened with their payment at each step?

Mr Tidswell—That is correct.

Senator JACINTA COLLINS—I would like to go back for a moment to the top-ups of the family tax benefit. You indicated an increase in the number and the average amount of top-ups. Is that correct, Mr Kalisch?

Mr Kalisch—Are you looking at figures for the 2001-02 reconciliation year?

Senator JACINTA COLLINS—Yes.

Mr Kalisch—Yes.

Senator JACINTA COLLINS—Does that partly relate to an increase in take-up?

Mr Kalisch—It is hard to know at this stage because we do not have comparable figures—certainly not in the papers I have—for an earlier time in the stage of reconciliation for last financial year. I think Ms Curran indicated that the comparable number of cases that were reconciled as at now were fairly similar to what was the case at this stage last year. I am not sure that take-up is really where you are going to get an answer. There does seem to be a change in behaviour, I think at least because people are getting more used to the new system and taking a more cautious approach toward their income estimation.

Senator JACINTA COLLINS—Do we know whether those families eligible for top-up are all receiving it through the reconciliation process?

Mr Kalisch—For those who have gone through the reconciliation process so far?

Senator JACINTA COLLINS—Yes.

Mr Kalisch—As we mentioned, only 1.435 million families have gone through reconciliation for the 2001-02 financial year. We would still expect another 400,000 to 500,000 families to go through reconciliation.

Senator JACINTA COLLINS—What was the experience of last year?

Mr Kalisch—The experience last year was that the number of top-ups grew substantially. The number of debts and the number of nil adjustments also grew. Looking at last year's experience, the 2000-01 reconciliation year, in the change between 11 January 2002 and 27 December 2002, which is a comparable period, we had a growth in top-ups of 244,000, a growth in debts of around 200,000 and a growth in nil adjustments of 114,000.

Senator JACINTA COLLINS—If the growth in debt has been quelled but you are getting a growth in top-ups, what are the budget implications for that?

Ms Curran—There is no budget implication because the estimates are done on the basis of entitlement.

Mr Kalisch—I suppose we would need some clear advice.

Mr Sullivan—In an accrual sense, the entitlement remains the same whether or not cheques are being received. In a cash sense, in terms of the Commonwealth's cash flow, it certainly has an impact in that top-ups are deferred access to entitlement. But, in terms of budget, there is no impact.

Senator JACINTA COLLINS—That is why I am trying to get to the bottom of the take-up aspect of this—that is, if you are making forecasts on the basis of entitlement and there is not a 100 per cent of take-up entitlement. That is the part I am trying to understand.

Mr Kalisch—I suppose we work on the basis of comparable trends and whether there are influences that would adjust those take-up results from year to year. The absolute level of take-up probably does not really matter all that much as long as it does not change. If it is on a consistent pattern of 95 per cent take-up or 100 per cent take-up it is still on a consistent time path.

Senator JACINTA COLLINS—Let me give you a different example and then we will see if I can work this out in my mind. My own after school hours care centre informs me that one-third of the families—and it is roughly one-third of the children as well—do not attract CCB, to their knowledge. The question is: is that because they are claiming CCB through the alternate means rather than through the centre or that there is simply not the take-up that one should anticipate, particularly in relation to the non-means tested level of CCB? I would be interested to know what proportion of families claim CCB through assistance through their weekly payments from their centre as opposed to forwarding receipts and claiming it—

Mr Kalisch—Annually.

Senator JACINTA COLLINS—It can be less than annually too, can it not?

Mr Kalisch—No.

Senator JACINTA COLLINS—So it is just annually now. What proportion of our estimated eligible families simply never claim?

Mr Kalisch—We can certainly take that on notice, unless Mr Popple has those numbers. I would have to say that there is probably a difference I would seek to draw between CCB and FTB.

Senator JACINTA COLLINS—Yes, I understand that, and that is why I asked you both. I am trying to understand the CCB aspect of that. The minister might recall that on the last

occasion I explained to her that, for the amount of money that the administration was worth, I really only bothered myself applying for CCB to see how the process worked. I am curious to see for how many families that is an issue. One-third of the families—at least to the centre's knowledge—just simply are not accessing that benefit, which surprises me.

Mr Kalisch—Perhaps Mr Popple can also reflect on your question about whether the centre would actually have that information to be able to make any judgment.

Senator JACINTA COLLINS—That is why they might be claiming alternatively. That is why I add that factor in. I am curious to see whether that is the explanation or whether the explanation is a low take-up. That is the question.

Mr Popple—The vast majority of families received their CCB reduced fees during the year. We had only about 20,000 families who received a lump sum in the first year—in fact, slightly less, about 19,000. So far this year, about 9,000 have applied for a lump sum, although we have still got another five months to go.

Senator JACINTA COLLINS—Do you also have a break-up of that in terms of the type of care?

Mr Popple—In terms of the lump sum?

Senator JACINTA COLLINS—How many people are claiming a benefit as a lump sum and what type of care it is they are claiming the benefit for. Let me explain it. There is a significant difference between someone who might get two times \$1.09 a week for after school hour care and someone who might be getting a significantly greater amount for full long day care. I am trying to see, in terms of take-up of the benefit and the different levels of the benefit, how that take-up is proceeding.

Mr Popple—I am not quite certain. I have not got that information with me. We can take it on notice and see if we have got that break-up available.

Mr Kalisch—That would depend again—

Senator Vanstone—You want the take-up level by service type.

Senator JACINTA COLLINS—Yes.

Mr Kalisch—That would, again, depend on what Centrelink have in their system.

Senator JACINTA COLLINS—This is partly why I am raising this here now. I will discuss some of these things later in 1.1. But, because Centrelink is here now, I am trying to flesh out what information may be available in relation to take-up of CCB, taking into account the relevant factors such as after school hour care versus long day care versus income level.

Mr Kalisch—Perhaps Mr Popple can correct me if I am wrong, but my understanding is that we have been expending at least what was forecast for CCB expenditure, if not more. So we are not undershooting the estimate. We are in fact going above what was originally estimated for CCB expenditure.

Senator JACINTA COLLINS—But didn't your original estimate have an assumption about take-up or not?

Mr Kalisch—It does not a priori suggest that take-up is a problem.

Senator JACINTA COLLINS—No, but my question is whether the original estimate had an assumption about take-up.

Mr Kalisch—I do not know. I was not involved in that. I am not sure that it really did.

Mr Popple—The original estimate was based on the number of families who were using child care at that particular point in time, using what we call approved child care in particular. That has always been on that basis. We then adjusted it once we had data in the first year. We saw that CCB expenditure exceeded expectations and we adjusted the forward estimates accordingly. We did so after the second year as well. I think, from our experience, most people who use a long day care centre or a family day care facility would be claiming CCB and, in the vast majority of cases, electing reduced fees during the year. And a small handful would claim a lump sum. It is probably less clear with outside school hours care because of the relatively small amounts of fees that they have to pay.

Mr Kalisch—I suppose that does go to the very nub of your question as well, in terms of prior work the department has done on take-up. We have separated out estimates of the proportion of families or number of people that we estimate to have taken up as opposed to expenditure estimates. The expenditure estimates are inevitably much higher, because those with much larger entitlements are inevitably those that are 100 per cent taking up.

Senator JACINTA COLLINS—From a systemic point of view, my query is this: how much do we as the Commonwealth expend to reduce my fees by \$2.18 a week? I would hate to believe that we were actually expending more to administer that than the benefit. I query how many are actually claiming the benefit as well.

Mr Kalisch—Perhaps it is more a question for Centrelink about their administrative processes. But there are dimensions here. Even where you are receiving a regular reimbursement of your fees, it is not a fact that Centrelink is doing the process each fortnight.

Senator JACINTA COLLINS—No, that is all right.

Mr Kalisch—There is an automated process in place.

Senator JACINTA COLLINS—Yes, I understand that too. Anyway, I will be interested to see what the system can tell me at this stage. I do not want you to go out and generate work in relation to these issues. However, I would be interested in seeing on notice what the system can tell me at this stage.

Senator Vanstone—I would like to thank you for that addition—that you do not want people to go out and generate extra work. With no disrespect to your colleagues, or some of mine when we were in opposition, some people sit here and indulgently think that everybody can spend a truckload of money to gain a few wins.

Senator JACINTA COLLINS—I have been guilty of that, too. This might be one of the rare occasions when I thank you, Senator Vanstone, so you had better note it.

Senator Vanstone—It is true. Perhaps they do not even think about it. They say, ‘Can I have this, this and this?’ But they never ask another question about it—it just goes into their cupboard. It costs a truckload of money, and time and effort.

Senator JACINTA COLLINS—I have been guilty of that crime as well, but not on this occasion.

Senator Vanstone—I am not saying that, in my earlier days, I was not guilty myself. However, as time goes by, you become aware of these things.

Senator MARK BISHOP—I have a more prosaic question for the department. Anticipated 2002-03 expenditure on FTB has fallen by almost \$100 million from the original budget estimate. It went down from \$11.381 billion to \$11.286 billion. What are the reasons for that?

Ms Curran—My understanding is that it is just the ongoing revision in estimates. It is a large program of over \$11 billion. It is essentially a rounding error, probably.

Senator MARK BISHOP—Nothing more significant? It is one per cent. It is a rounding error?

Ms Curran—We have some savings measures here in terms of additional estimates, and they have a small impact. It is just an ongoing revision to our estimates, with the benefit of experience.

Senator MARK BISHOP—Can you offer any advice about changes in customer numbers or average payment rates? Have they affected the \$100 million?

Ms Curran—Do you mean on a fortnightly basis?

Senator MARK BISHOP—No, in aggregates for the year.

Ms Curran—Not that I am aware of—no.

Senator MARK BISHOP—I do not really accept that a change in expenditure of \$100 million can be blithely dismissed as a rounding error. I get the same nonsense, with due respect, from the Department of Veterans' Affairs, as to hundreds and hundreds of millions of dollars. It must be the case that the original parameters were wrong, updated information has caused you to revise the parameters, or some of the inputs have changed. There has to be a reason why \$100 million less or more is spent.

Senator JACINTA COLLINS—This is what estimates are really about. This is why we are here.

Senator MARK BISHOP—The Department of Veterans' Affairs tells me, 'Don't worry about it, Senator. It is only one per cent. Who cares?' Well, I do. So what are the changes?

Ms Curran—I am sorry, I have to correct my previous statement. It also reflects observed higher levels of overpayment. That has been taken into account in the revised estimates.

Mr Kalisch—It is actually recovery of overpayments.

Senator JACINTA COLLINS—You have been more successful in the recovery of overpayments than you had previously anticipated?

Ms Curran—Yes.

Mr Kalisch—Or Centrelink have been more successful.

Senator MARK BISHOP—What percentage of the \$100 million are the observed higher levels due to—three per cent or 30 per cent?

Ms Curran—I do not have that here, I am sorry.

Senator JACINTA COLLINS—What was the original assumption, and what has been observed to cause you to make that change of forecast?

Mr Kalisch—As Ms Curran mentioned, that is a level of detail for which we do not have the information to hand. I will take it on notice.

Senator MARK BISHOP—Have the parameters changed?

Mr Kalisch—The numbers? From the information we have to hand, it does not seem as if there have been major parameter changes, apart from, obviously, the more-choices initiative. The other dimension is that this is a large program, as Ms Curran mentioned. We have larger numbers of families. Fertility trends make a difference to this program, and they have been changing over time.

Senator MARK BISHOP—Yes, fertility trends have been changing over time and the nature of families has been changing over time. We are all aware of those variables, but you have put those variables into your parameters.

Mr Sullivan—We will get you a detailed answer, Senator. I think the major parameter change here, as Ms Curran has said, concerns the way that we base our estimates. When this program started, our estimates were based on our view as to the number of eligible families and how much would be paid. The major impact on refining that estimate was the actual numbers of payments being made and how much they were. Then, when we got past the full 2000-01 reconciliation, we realised that incorporated in the actual level of payments is a reasonable degree of overpayment which is not entitlement.

I think you will find, when we supply the detailed answer, that the major assumption change is that incorporated in the level of cash benefits being paid is an element which is not entitlement but which will turn into an overpayment and a debt to be recovered. That is from the experience of this program as we move into years where we have a better understanding. We will supply details of what makes up the assumptions behind the \$100 million—as well as we can possibly do that.

Senator MARK BISHOP—Thank you—that is what I am seeking. Have there been any changes in the number of families eligible for FTB?

Mr Kalisch—No. We are not aware of any major changes. There have been no changes to the eligibility rules. There would be some underlying change in the population parameters, as I mentioned before, with regard to fertility and the population generally getting somewhat older—and, to some extent, the effect of drought in reducing the incomes of families. Economic conditions play a role in terms of people falling below the minimum rate of FTB whereas in previous years they were above the minimum rate threshold.

Senator MARK BISHOP—Is there going to be any impact of the new flexible payment choices on the forward estimates?

Ms Curran—The impact on the forward estimates is included in our portfolio additional estimates submission.

Senator JACINTA COLLINS—Whereabouts is that?

Ms Curran—It is on page 53.

Senator JACINTA COLLINS—Can you take me through it? That page talks about the government providing improved flexibility, but, looking at this quickly, it is not clear to me how you estimate that that will impact. Is it one of the outcomes up here that you are referring to, or just a description of the measure that is on that page?

Ms Curran—Yes. The more choice measures will impact on the administered expenses—and then the departmental expenses relate to the associated costs incurred by Centrelink.

Senator JACINTA COLLINS—So the administered expenses in relation to this measure, in respect of outcome 1 in the first year, give a loss of \$4.322 million?

Ms Curran—That is correct.

Senator JACINTA COLLINS—Outcome 1 is what?

Mr Kalisch—That is outcome 1. The main program here would be family tax benefit, which is \$11.3 billion.

Senator JACINTA COLLINS—I see—not outcome 3.

Mr Kalisch—That is the impact on the outcome, which is less than a rounding error, you might say.

Senator JACINTA COLLINS—Yes. You are duplicating it, now that you have narrowed it down to the measure. That is fine. I understand that table now.

Senator MARK BISHOP—Where are the savings shown in the forward estimates? You have an outlay of plus \$20 million in the first year and then minor savings in the years thereafter.

Ms Curran—I am sorry, perhaps I misunderstood your earlier question. I thought that you were asking in respect of the more choice measures and FTB.

Senator MARK BISHOP—I was.

Ms Curran—So, on the administered expenses, because of having more choice options, we anticipate a slight reduction over the forward estimate period.

Senator MARK BISHOP—Am I misunderstanding the four columns here? It appears to me that your total extra outlay in year 2003 is \$20 million and then you have minor savings in successive years. So over the three years you are spending \$20 million net and saving \$4 million net. Is that correct or am I misunderstanding the figures?

Mr Kalisch—I think what you are getting a bit confused about concerns the nature of the administered and departmental subtotals there. In terms of the administered line, that is really the impact on the program itself, on family tax benefit outlays. Then the departmental line is the extra costs incurred by Centrelink over and above their current allocation to administer these changes to families. Essentially, what you are delivering to families is more choice, more flexibility, less likelihood of debt, more likelihood of getting a top-up. This is the cost that is incurred in providing that flexibility.

Senator MARK BISHOP—And the cost of doing that is essentially—

Mr Kalisch—It is a net cost to government.

Mr Sullivan—It is a net cost of \$16 million over the years.

Mr Kalisch—That is the cost to government or to the budget overall.

Senator MARK BISHOP—Do you have any idea of how many families will defer all or part of their payments overall?

Ms Curran—We estimate that up to 400,000 families could benefit from the more choice measures.

Senator MARK BISHOP—And in that subset of deferring all or part of their payments—

Ms Curran—I am sorry, I did not hear the question.

Senator MARK BISHOP—You say up to 400,000 families might benefit from the new initiative.

Ms Curran—Yes.

Senator MARK BISHOP—My question is this: do you have any idea of how many families will defer their payments in whole or in part?

Ms Curran—We have made a number of assumptions. We estimate around 60,000 will defer a component of FTB in a full year. Our assumptions are on a full year basis. The series of assumptions is relatively complex. Would you like us to run through them?

Senator MARK BISHOP—Yes, please.

Senator JACINTA COLLINS—When you run through them, can you relate them to these administered figures in this table and explain why, for instance, in this 2002-03 figure, we have the administered figure as minus \$4.3 million, whereas for the next three years you are looking at minus 15 million.

Mr Kalisch—Perhaps I can cover than one fairly quickly now. As Mr Tidswell explained earlier, the more choice initiative is being rolled out progressively from November last year to about 1 July this financial year. In terms of the financial year impact in that first year, it is going to be very small, because the initiative has only had in effect a part year impact on families. The years that you are seeing—years 2, 3 and 4—are really the full year impact.

Ms Curran—If we look in FTB at customers who choose not to take some element of their component of FTB, we have assumed that 60,000 families will defer a component of FTB in any one year. Approximately 10 per cent of partnered FTB B families will defer their entitlement to FTB B. We have just assumed an average of \$1,000. It could be more than that. Then, in respect of those customers who elect to essentially take a continuous adjustment—that is, they update their income estimates on a regular basis—we have assumed that 75 per cent of the lower income taper families—they are the families who are not subject to the maintenance income test—or around 150,000 will revise their estimates, and about 130,000 of those will agree to a reduced rate.

In respect of FTB B for continuous adjustment, we assume that around 75 per cent will revise their estimates and around 290,000 will agree to a revised rate of FTB B.

Senator JACINTA COLLINS—Can you explain the process of how you came to those estimates?

Ms Curran—I can say that I was not personally involved in the preparation of the estimates, but the people who are involved—

Senator JACINTA COLLINS—Did you have a behavioural scientist?

Ms Curran—No, they have a series of tools, and there are standard practices within the department about preparing these estimates.

Mr Kalisch—These estimates went through the due diligence from the department of finance.

Senator JACINTA COLLINS—I am not concerned about that aspect of it. Given limited precedent to be making some of these estimates, I am curious about how the department was informed in deciding on 10 per cent in respect of, say, FTB B partnered people. Was that because you relied on past responses to other initiatives or did you pilot the behaviour of recipients? How were those figures arrived at? I do not want to go into too much detail, but just in a general sense.

Mr Kalisch—As with Ms Curran, an officer who is no longer here was sitting in my chair, so I cannot—

Senator JACINTA COLLINS—I would hate to think someone sat there with some darts.

Mr Kalisch—It was certainly much more scientific than that. I would have to say that FACS has got a pretty good record compared to other Commonwealth agencies in terms of estimating our numbers.

Senator JACINTA COLLINS—Would you like to take it on notice?

Mr Kalisch—I will take it on notice to see what I can get you.

Senator MARK BISHOP—And the average fortnightly amount that they will forgo—was that the figure of \$1,000?

Ms Curran—No, that was in respect of FTB B.

Senator MARK BISHOP—So what is the average fortnightly amount they will forgo?

Ms Curran—I do not have that detail here with me. We have made a series of assumptions. They are the broad assumptions about behavioural response. But that level of detail I do not have with me, I am sorry.

Senator MARK BISHOP—Is there a maximum fortnightly amount that they might forgo as part of the new payment options?

Mr Kalisch—In essence, it is possible that they could forgo the whole amount, but it would be extremely unlikely for those on the maximum rate of FTB A who have incomes around the \$30,000 mark to forgo the whole amount. You would think that they would require considerable amounts of that for their ongoing use in terms of raising their children.

Senator MARK BISHOP—Could I ask you to turn to table 2.1.2, 'Summary of Measures Since the 2002-03 Budget for Outcome 1' on page 34 of the AEs. Could you explain each of those components of the financial impact over each year of the forward estimates? I am having some trouble understanding the table.

Mr Sullivan—In respect of the—

CHAIR—Just before you proceed, Senator Bishop, do you have any further questions of Centrelink?

Senator MARK BISHOP—Yes.

CHAIR—Do you think there is any possibility that we could conclude the Centrelink questions before going on further to the department? We have really gone off Centrelink for quite some time now and moved to the department.

Senator JACINTA COLLINS—Senator O'Brien also has some Centrelink questions.

Senator MARK BISHOP—I have five minutes of further questions on Australians Working Together, which is Centrelink. I have done the family tax benefit reconciliation. I have further detailed questions on FTB which might involve officers of Centrelink.

CHAIR—If we could complete Centrelink, it would be very useful. I have given a fair bit of latitude in the departmental questions, thinking that there would be a link, but we seem to have strayed completely now.

Senator MARK BISHOP—I think Centrelink will be required after lunch.

CHAIR—That does not diminish the point that I would like to be able to get Centrelink concluded, whether it be after lunch, next year or whenever, before we—

Senator MARK BISHOP—The problem we have is that, as you have seen from the discussion, a lot of the questions go between the agency that carries out the work and behind it to policy matters determined by the department.

CHAIR—I understand that.

Senator MARK BISHOP—The officers have been going backwards and forwards.

CHAIR—I understand that, but I am trying to do this in an orderly fashion as we normally do. If there is a possibility that we could focus on Centrelink and then move on to anything else after that, it would be appreciated, I think, by all.

Ms Vardon—We would make sure that Grant Tidswell and Sally Babbage stayed for the whole of the time that FTB was being examined under the department.

Senator MARK BISHOP—Can we go back to the table?

Mr Sullivan—That table is a compilation of each of the tables later in the report. For instance, the top line is ‘Improved Flexibility for Family Assistance Payments’, which reflects the table you were looking at on page 53. Each of those other measures has corresponding tables. That is an aggregated line of what impact it has on our overall appropriation. In respect of improved flexibility for family assistance, it basically says it another way—savings in admin of \$4.3 million and a \$24 million departmental expenditure increase. It is nothing more than the table you were looking at on page 53.

Senator MARK BISHOP—Thank you. Centrelink should not go, because Senator O’Brien is about to return. Let me go to AWT. What is the status of preparations for the introduction of the new AWT measures?

Ms Vardon—Are you talking about the ones which we are waiting for the legislation for?

Senator MARK BISHOP—Yes.

Mr Bashford—We have put on hold at the moment the recruitment of personal advisers but we have not stopped the work on the working credit.

Senator MARK BISHOP—That is what I meant. The legislation was rejected in the Senate last year and the government has indicated that it will bring it back in due course. As I understand the government’s position, it still wants to get the legislation passed. I presume the agency has been working on the basis that the bulk of the legislation in some part will be passed and is doing the preparatory work for that. That is what I am asking you.

Mr Sullivan—We are responsible for that. Clearly, the legislation being rejected in the Senate, we had to stop a number of measures. We were to employ 400 additional personal advisers for the Centrelink network to assist people under Australia working together, and that recruitment had to be stopped. When the legislation is passed, that will have to be reinitiated and that delay will have to be worked through. What we have done in respect of working credit is this. There was a massive amount of information technology work required by Centrelink to build the system to be able to accommodate the working credit accounts for each of our beneficiaries, and we have authorised expenditures in Centrelink to ensure that that work has been taken through to a point of completion and then masked.

Senator MARK BISHOP—Masked?

Mr Sullivan—It is masked so that it does not implement. It basically assumes that it is there, but it sets everything—

Senator MARK BISHOP—It is ready to go.

Mr Sullivan—We have now missed release dates. So it is not a situation of ‘Oh well, if it happens tomorrow it can come on the next day’. We will have to advise government as to when it can come on, depending on when the legislation passes. So the major impact has been our failure to permit the recruiting of the additional personal advisers foreshadowed. Centrelink has some complex issues with respect to turning on the eventual working credit IT system. But we took an investment decision to complete the work and, as I say, mask it, so that it will be there in reasonable time.

Senator MARK BISHOP—I understand the response to those two issues. Are there any other aspects—

Senator Vanstone—In relation to that, it is important to understand that, while the decision has been made to get the IT work done so that it can happen—possibly with some further delay—it will not happen if the legislation as now before the chamber does not pass.

Senator MARK BISHOP—If the legislation before the chamber does not pass it will not happen.

Senator Vanstone—Yes. I think that is clear from what we did previously.

Senator MARK BISHOP—One follows the other. That is understood. That has been your position. So the hiring of the personal advisers has ceased and the IT preparation has gone forward to the stage of masking. Are there any other aspects of preparatory work that Centrelink had to do?

Mr Bashford—There will be a lot of training, which we have had to delay at this stage.

Senator MARK BISHOP—That has not gone ahead?

Mr Bashford—No.

Mr Sullivan—Basically, it is the updating of a lot of procedural manuals. When we move from saying, 'Let's go,' there is a fair amount of work in preparing the customer service centres and others for the change.

Senator MARK BISHOP—Apart from the IT, what comes under the heading 'Systems readiness'? What else would you have to do?

Ms Vardon—We have an internal intranet, which is the communication system. It is the alternative to the olden days. We have manuals and reference suites inside it, and it is all electronic. All the reference suites will have to be adjusted, amended and changed.

Senator MARK BISHOP—Has that work been put on hold?

Ms Vardon—Yes. We have not pre-empted the legislation at all. We know what we need to do. We have instructions and fact sheets—as Mr Sullivan has pointed out—on the things where they are prepared to invest that would constitute activity. We have people who have done some work to get the e-reference material ready, but it has not been placed out in any way. It has to be put into the technology.

Senator MARK BISHOP—Do I understand you to say that, if the legislation had passed, there was a rollout of work to be done to give effect to it?

Ms Vardon—Yes.

Senator MARK BISHOP—Obviously, the dates and implementation times of that rollout work change. I accept that and I understand that. But, in general—apart from the issues discussed by Mr Sullivan—has the rollout preparation work gone ahead or has it been put on absolute hold?

Mr Sullivan—It has been severely disrupted. Before the legislation was rejected we had a date to work to. We were implementing things on a certain date, and Centrelink had put in place significant planning with respect to that date. That included communication with the beneficiary population: how to understand what their account looks like, what the account balance is and how it works. At the moment—and I think this is the critical thing—we do not have a date to work to. Once the legislation is passed, we need to make a submission to the minister as to what date we and Centrelink can reramp that effort and deliver this product by. One of the longest term delays would have been if we had aborted the work on the IT changes required, and we did not do that. So we have made provision for one of the very long lead dates. But it is not a trivial exercise to turn this back on again.

Senator MARK BISHOP—I understand the point you are making. I thank you for the answers.

Senator O'BRIEN—I want to ask some questions about Centrelink's administration of programs which are funded through AFFA—particularly drought exceptional circumstances relief, interim exceptional circumstances relief, the sugar industry package and the like. I understand there is a memorandum of understanding that relates to those functions. Is that memorandum between Centrelink and AFFA, Centrelink and DOFA, or all three?

Mr Salvage—The memorandum of understanding is between Centrelink and AFFA. It covers the administration of a variety of programs that AFFA asked us to undertake.

Senator O'BRIEN—For individual programs, are the criteria that are used for eligibility, application deadlines and the like governed by this memorandum of understanding; or are they the subject of separate arrangements, determined in another way, or by Centrelink alone?

Mr Salvage—The MOU covers the general arrangements between ourselves and AFFA. There are individual protocols set up as each program is initiated by AFFA. AFFA is the policy department in this regard. They determine the policy and indicate what they wish us to carry out. So the protocols would not go to a great level of detail about policy; they are more about the dynamics, and the way they expect Centrelink to carry out delivery of that service.

Senator O'BRIEN—Do you also administer interest rate relief through those programs?

Mr Salvage—Only in the last package that has been announced—the government's interim package that was announced on 9 December by the Prime Minister. We have been asked to carry out the interest relief subsidy for farmers and small businesses. In previous packages, such as exceptional circumstances, those parts had been carried out by the states. So it is horses for courses.

Senator O'BRIEN—So the only interest rate relief package you manage is the ad hoc drought relief announced by the Prime Minister on 9 December?

Mr Salvage—That is correct.

Senator O'BRIEN—When was Centrelink asked to set up the administration process for the interim exceptional circumstances relief program announced by Mr Truss in parliament on 19 September for the Bourke and Brewarrina area?

Mr Salvage—I thought I had that detail with me. Could you repeat the question, please?

Senator O'BRIEN—On 19 September last year Mr Truss, Minister for Agriculture, Fisheries and Forestry, announced that drought relief payments would be immediately available for farmers in the Burke and Brewarrina region. I would like to know when Centrelink were asked to set up processes to administer that immediate relief.

Mr Salvage—As with many of these interim announcements, we were kept informed by AFFA. However, we were not formally requested by Minister Truss to deliver the package under the approved guidelines until 9 October.

Senator O'BRIEN—What is the difference between 'formally' and 'informally'?

Mr Salvage—Centrelink delivers exceptional circumstances relief payments under longstanding arrangements and, since the year before last, we also deliver the so-called interim EC package. There is a progression, as you would appreciate, where an interim EC may become an EC proper. We are kept informed by AFFA that certain applications have been received and, of course, we follow the announcements that might be made and prepare

ourselves as best we can for final approval if it comes through. As a delivery agency, we await that final approval to deliver a package.

Senator O'BRIEN—If a person from the Burke and Brewarrina region—an applicant for this interim exceptional circumstances payment—wanted to obtain relief, when would they have been able to receive an official application form or obtain it from your web site for relief in the Burke and Brewarrina area?

Mr Salvage—We would have made those application forms available on or about 9 October when we received the go-ahead from AFFA.

CHAIR—Senator, before you proceed, I would like to seek committee approval for News Ltd to take some photographs of proceedings. As there is no objection, it is so approved.

Senator O'BRIEN—So the process is that, whatever you hear informally, whether it is through the parliament, officers of AFFA or some other way, the formal arrangement you have with AFFA is that you only act upon a formal request to implement a particular program?

Mr Salvage—The minister has to approve guidelines which we then carry out. That is the formal approval process.

Senator O'BRIEN—Which minister?

Mr Salvage—Minister Truss.

Senator O'BRIEN—When would you have put the guidelines before Minister Truss, or is that something that AFFA would have done?

Mr Salvage—AFFA would have arranged those guidelines.

Senator O'BRIEN—So the documentation that you require to implement your aspect of administration of the program was first delivered to Centrelink on 9 October.

Mr Salvage—That is correct.

Senator O'BRIEN—With respect to the sugar industry assistance, specifically what I describe as exit assistance—I think it is broadly known as that—your web site advises that exit grant applications could be lodged from 1 February this year. I have not checked yesterday or today but, as at Monday, the application form was not available on Centrelink's web site. When will application forms be available for that exit assistance package?

Mr Salvage—At the moment it is not intended to put those application forms on the web site. That is something we discussed with AFFA as the client agency. The exit grant is part of a process that an individual grower may go through—starting with the application for income support, which commences that process. That is available on the web site, and it is important that they commence that path.

They then go through a sugar industry viability assessment—which is part of the requirement—which looks at where their business is. Thence, if necessary or required as a result of that viability assessment, they may then apply for the exit grant. At the moment we have about 20 SIVAs—sugar industry viability assessments—in train, and the exit grant application is seen as an end point of that process. So it would not be our intention to actually make it available on the web site. It would be something that person gets once they have reached that point of applying.

Senator O'BRIEN—Is no-one today in a position to lodge such an application?

Mr Salvage—As far as I am aware, we have had no specific request for someone applying for the exit grant. They have not reached that point in their process.

Senator O'BRIEN—The process will take some time, I take it, in terms of the viability assessments?

Mr Salvage—Yes.

Senator O'BRIEN—So what is the earliest you would expect to start to receive those applications, if any?

Mr Salvage—I could not comment, Senator. It could actually start happening today. Based on my experience, which is limited in a lot of these viability assessments, some can be carried out reasonably quickly. We would hope that the applications for people wanting to apply would start happening very soon, given that the exit payment was available as at 1 February, as you pointed out. But it is very hard for me to say when we might expect the first of those applications to come.

Senator O'BRIEN—In terms of the sugar industry assistance package income support component, how many applications were received prior to 1 January and were, therefore, eligible to receive backdated payments?

Mr Salvage—I might have to take that on notice. I do not have that figure with me right now.

Senator O'BRIEN—Can you get me a breakdown for the three sugar states—Queensland, New South Wales and Western Australia?

Mr Salvage—So applications received before 1 January?

Senator O'BRIEN—Yes, which are therefore eligible for backdated payments. And can you also tell me what the average processing time for those applications has been?

Mr Salvage—Which applications?

Senator O'BRIEN—The applications that we have just been discussing for income support under the sugar industry package.

Mr Salvage—No, I would have to take that on notice also. Timeliness is a factor, both of our processing time—which, as we have indicated a number of times, is as immediate as we can make it—and the ability of the applicant to put together all the material they would need for us to successfully approve that claim. But we will see what data we can get on that.

Senator O'BRIEN—The Centrelink application form says that income support will be available from 1 October 2002 to 30 September 2003. It says that applications made after 1 January 2003 will not be backdated. Who determined that rule?

Mr Salvage—AFFA.

Senator O'BRIEN—How many applications have been received since 1 January?

Mr Salvage—I am afraid I do not have that breakdown, Senator. It would be part of the previous question that I will take on notice.

Senator O'BRIEN—Is assistance available for 12 months irrespective of the time the application is lodged?

Mr Salvage—No, Senator. The package runs out on the date that you quoted.

Senator O'BRIEN—30 September 2003?

Mr Salvage—Yes, that's correct.

Senator O'BRIEN—Is Centrelink administering the replanting interest rate subsidy for that package?

Mr Salvage—That is correct.

Senator O'BRIEN—So that is another interest rate subsidy you are administering, apart from the interest rate subsidy package of 9 December?

Mr Salvage That is correct.

Senator O'BRIEN—Are you sure they are the only two?

Mr Salvage—I am sorry. I have been in drought mode. I had forgotten about the sugar interest rate subsidy. They are new business for us.

Senator O'BRIEN—I will think on what you mean by that. According to the Centrelink application form, the subsidy covers two years if growers get their applications in before 31 March 2003, and one year if lodged after that date. Have I correctly interpreted the rules set out in your application form?

Mr Salvage—I will have to take that on notice. My detailed knowledge of the sugar package is probably not down to that extent. These are more policy issues for AFFA, which they may be better placed to answer. I am more than happy to take them on notice.

Senator O'BRIEN—So those rules would have been determined by AFFA and not Centrelink?

Mr Salvage—Correct.

Senator O'BRIEN—Do you know how many applications have been received for the replanting interest rate subsidy under this package?

Mr Salvage—No. I would have to take that on notice.

Senator O'BRIEN—Do you know what the average processing time for such applications is, or would be?

Mr Salvage—Likewise, I would have to take that on notice.

Senator O'BRIEN—Correct me if I am wrong, but I understand that it is agreed between AFFA and Centrelink that Centrelink's fee for administering this program will be a significant sum of money. Can you tell me what that is?

Mr Salvage—For the sugar package alone?

Senator O'BRIEN—Yes.

Mr Salvage—For the financial year 2002-03, the Centrelink costs are \$2.854 million; for 2003-04, \$1.052 million; and for 2004-05, \$0.199 million.

Senator O'BRIEN—Can you tell me what Centrelink charges AFFA to administer the exceptional circumstances package—for both interim and ongoing assistance?

Mr Salvage—The individual exceptional circumstances relief programs are costed by us on an individual basis, so there would be several of those, going back to the original ones in Western Australia. I do not have all that data with me at the moment, so I will take that on notice.

Senator O'BRIEN—Are each of the packages the subject of a separate arrangement, or is it fee for service? How is the figure arrived at?

Mr Salvage—Exceptional circumstances relief payment costings are calculated by us, or priced by us, under a fairly well established formula we have used from the department of finance. Yes, they are separately costed. AFFA will approach us and indicate which areas they are considering. We will respond with a price based on that formula. I have the costs for the

package announced on 9 December, but each individual EC one, as I have said, tends to be handled separately.

Senator O'BRIEN—Perhaps you could take on notice the individual EC ones. Is it broken down between the interim and ongoing packages, or is it just that this area will attract this particular cost—the EC ones?

Mr Salvage—This is a new process, which was only instituted the year before last, but when an interim EC area subsequently becomes EC we do a recosting and take into account the fact that certain set-up costs have already been incurred.

Senator O'BRIEN—Does that make assumptions about the take-up rate or is it based on the fact that your payments will depend on the take-up rate?

Mr Salvage—The AFFA request will usually include assumptions about the take-up rate and we will cost it according to those estimates.

Senator O'BRIEN—At the moment it appears as though you are doing very well in the exercise, because take-up rates are fairly low, aren't they?

Mr Salvage—It is probably too early to tell with the large package, but generally the take-up of EC and interim EC packages is a slow and steady process, in our experience. There is the intention to have a reconciliation process with AFFA on the costing of this depending on what the take-up rates eventually are.

Senator O'BRIEN—Do you mean that the number can be revised down depending on the take-up rate?

Mr Salvage—Correct.

Senator O'BRIEN—Are the assumptions for interim assistance assessed the same way? In other words, AFFA suggests so many will take it up, you make a decision on how much you will charge for that take-up and then retrospectively you revise, according to the formula, what you charge?

Mr Salvage—That is correct.

Senator O'BRIEN—Is it possible to supply the committee with a copy of the formulae?

Ms Vardon—It is really a question for AFFA. We will pass the question on to them.

Mr Salvage—And DOFA.

Senator O'BRIEN—So DOFA are involved in the negotiation, are they?

Mr Salvage—That is correct.

Senator O'BRIEN—I thought you said earlier that there was a formula that was agreed with DOFA.

Ms Vardon—Yes, in the sense that—

Senator O'BRIEN—It is longstanding, is it?

Ms Vardon—It is only half-owned by us, in a sense. I am sure that they would not have any objection to you having it. We just need to get their permission.

Senator O'BRIEN—I understand that. Thank you for that. Can you get us, on notice, the assumptions for each of the EC declarations and take-up rates to date—in terms of numbers, I mean?

Mr Bashford—I think that might be better referred to AFFA. We do not make the assumptions; it is AFFA who make the assumptions. We can pass that question on to AFFA if you like.

Senator O'BRIEN—I am happy for you to do it. Thank you for that. You wanted to give me some information about the 9 December package in terms of costs or charges.

Mr Salvage—From AFFA, our charges for 2002-03 for the 9 December package were \$14.1 million; for 2003-04, \$1.7 million; and for 2004-05, \$0.6 million. As you would be aware, there was a component for small business, which is not AFFA but is from another portfolio. Do you wish to have those costs as well?

Senator O'BRIEN—Yes, please.

Mr Salvage—For 2002-03, \$6.5 million; for 2003-04, \$4.0 million; for 2004-05, \$2.0 million.

Senator O'BRIEN—Is it possible to provide the committee with the expected income that Centrelink will receive from the administration of programs ultimately the responsibility of AFFA in this financial year?

Mr Salvage—Probably we can estimate it, but it is fairly early in the process, especially this large package of drought. We also have another package where we are negotiating with AFFA over the eventual price, depending on uptake rates.

Senator O'BRIEN—Which ones are you still negotiating on?

Mr Salvage—The delivery of the Farm Help package is included, and I have mentioned that we are intending to look at exceptional circumstances and this particular package. The main premise is that, if the uptake rates are significantly different, some renegotiation of that price is necessitated.

Ms Vardon—On page 85 of the additional estimates statements, we have the total revenue from all of the various departments, including AFFA. We have the budget estimates and the revised estimates.

Senator O'BRIEN—Would those figures have changed? I am just wondering because announcements are coming thick and fast, and they have probably superseded that document.

Ms Vardon—There has been a significant increase between the budget estimates and the revised estimates in relation to AFFA because of the extra work we have been given.

Senator O'BRIEN—That would not necessarily take in all EC declarations, would it?

Mr Bashford—If there are any that have not been declared, they will be. There may be some more declared, I guess.

Senator O'BRIEN—In fact, there have been, and they would have been declared since that document was prepared.

Mr Salvage—On page 89 it indicates that the funding for initiatives is in the contingency reserve and will be reflected in Centrelink's revenue at the next update. So it is a figure subject to revision.

Senator O'BRIEN—Can you give us an updated revision as of today? I am not asking for it now, obviously. On notice would be useful.

Mr Salvage—We will take that on notice.

Senator O'BRIEN—When you provide that information, can you also provide the details of the financial arrangements and income for Centrelink regarding the flood assistance package, if any, for this current financial year?

Mr Salvage—Yes.

Senator O'BRIEN—I return to the Sugar Industry Reform Program. Can you advise the committee as to the details of that program area for which same-day approval has been granted when applications have been lodged?

Mr Salvage—We will take that on notice.

Senator O'BRIEN—Thank you.

CHAIR—Do you have further questions, Senator Bishop?

Senator MARK BISHOP—At this stage, I have concluded my questions to Centrelink, so I am happy to turn to the department, if other senators do not have questions to Centrelink.

Mr Sullivan—Senator Bishop, do you have a list, as you did for Centrelink?

Senator MARK BISHOP—Yes.

Mr Sullivan—Could you go through the list? We may be able to rationalise some answers.

CHAIR—That would be helpful.

Senator MARK BISHOP—With DFACS I want to discuss, under outcome 1: Stronger families, output group 1.1: Family assistance, in the context of the claims for Family Tax Benefit top-ups. I want to discuss question No. 40 from the last estimates; and the Family Tax Benefit policy rationale, particularly with respect to how the income tests apply to and work with FTB A and B. I want to discuss paid maternity leave and the Men and Family Relationships program. In relation to outcome 1.2, I want to discuss JPET and the Transition to Independent Living Allowance. In relation to output group 1.3, I want to discuss child support and access to child support agency files. In relation to output group 1.4, Childcare support, I want to discuss the Child Care Benefit, levels of demand, places and family day care. I want to discuss where we are with broadband development, the Queensland in-service training issue and staffing levels in child-care advisory bodies.

Then I will shift, under outcome 2, to where we are with Commonwealth-State Housing Agreement and rent assistance compliance. In relation to output 3.1, I want to discuss breaching and long-term unemployment. In relation to output 3.2, I want to discuss support for people with disabilities and the evaluation report—that will be relatively brief—and the Commonwealth-State Disability Agreement. In relation to outcomes 2 and 3, I would like to discuss unmet need, disability employment services—there will be a fair bit on that—certification under the new quality assurance system, the wage assessment tool and the National Disability Advisory Council. There will be straightforward questions there. That concludes my list, Mr Sullivan.

Mr Sullivan—Thank you very much.

CHAIR—We will now break for lunch.

Proceedings suspended from 12.32 p.m. to 1.35 p.m.

CHAIR—I call the committee to order. I omitted to thank Ms Vardon and a number of her officers before they left. Please convey the Senate's thanks to her and her officers. The minister, I understand, is on her way, and Senator Bishop has agreed to proceed.

Senator MARK BISHOP—Thank you, Chair. I want to turn at the outset to outcome 1.1—Family assistance. I want to pursue some issues that arose out of question No. 40 from the November 2002 estimates. The question was in two parts: (A) what is the amount of FTB and CCB that families would have been entitled to, firstly, as a top-up payment—that was answered adequately and we are not pursuing that—and (B), and more importantly, as a complete payment had they lodged before the 30 June deadline. There does not appear to be any adequate response to that part of the question. Surely figures are available on the number of families who made a claim for the whole benefit but had it denied—10,000, 20,000?

Ms Curran—Sorry, Senator, are we looking at part B of the answer?

Senator MARK BISHOP—We are, yes, and you have declined to answer the question and given an explanation as to your thinking. Surely figures are available on the number of families who made a claim for their whole benefit but had it denied?

Ms Curran—I am not sure that I understand the question correctly. I will ask our Centrelink colleagues to answer in terms of the systems data.

Mr Tidswell—I am looking at question 40 and the answer therein, part B. I am having some difficulty in determining your question and the answer here. It is in respect of trying to find out the number of FTB and CCB claims for 2000-01 that were lodged too late to be effective claims?

Senator MARK BISHOP—That is right, and you have answered the question in terms of top-up payment in part A but, in terms of complete payment, apparently you were not able to obtain the information. Why is that?

Mr Tidswell—I think the answer here is as good as it could get in that sense—that we just do not have that ability to determine it. We do know the number of people who did not lodge tax returns through the process for the first year of operation and we are dealing with those as we speak. That is what we do know. And then we have extrapolated that in the answer to question A, the numbers of those who would have been subject to or had the opportunity for a top-up if they had lodged on time.

Mr Kalisch—Can I just clarify one aspect there, Senator. In terms of those who lodged after the 30 June deadline, as I understand that, the question that you gave to us was around what would be the nature of their complete payment.

Senator MARK BISHOP—Yes.

Mr Kalisch—So in that sense, they have already received part of the payment during the previous financial year, and they get to keep that.

Senator MARK BISHOP—Yes.

Mr Kalisch—I think the difficulty we have is matching the data. I do not know the inference you are trying to draw from this question.

Senator MARK BISHOP—The question is if the claim had been lodged prior to 30 June, it is possible to determine the exact amount either as a top-up payment or as an entire payment, a whole payment. In terms of those after 30 June, in part A you have been able to extrapolate some information and give us a response for top-up payments, to the best of your ability, but apparently you cannot go any further and identify what would have been the next step in the run, if you like, the whole payment if the application—

Mr Kalisch—But, in essence, they are still getting everything except the top-up. They still get to keep that and they have received it previously. We just cannot give you, as I understand it, from the Centrelink system the actual addition of the top-up plus the payment they have

already received. It is not as if they are losing an entitlement to that remainder. They have actually received that already in their hand.

Mr Popple—In respect of the CCB customers, these are customers who have lodged a lump sum claim after 30 June, which is outside the deadline; therefore, they are not assessed. They are too late to be assessed; they do not meet the deadline. There is no action taken on them so there is no assessment made of the amount they are entitled to, and I think the same applies for FTB as well.

Senator MARK BISHOP—And the same applies for FTB as well?

Ms Curran—That is correct.

Senator JACINTA COLLINS—Do you have any idea of the number of contacts you get of eligible people—

Mr Popple—I do not believe so but Centrelink might provide some.

Mr Tidswell—I have no idea. We can take that on notice and examine that for you.

Senator MARK BISHOP—It does not give me the response I wanted but we do not always get that. I will think about that and come to it at the end of the session. I want to get a bit of an understanding in terms of the policy parameters that currently exist in relation to the family tax benefit. Can you just explain the operation of the FTBA income test—how it applies?

Ms Curran—Senator, I do not know whether you are familiar with this publication from Centrelink, which is *A guide to Commonwealth government payments*. It has the details there of the income thresholds at which FTBA is available, and the number of children and the ages of those children. Was your question in relation to the income thresholds or the taper arrangement?

Senator MARK BISHOP—It is going to come to both—the taper at the top end and the threshold at the bottom end. Before we go there, in terms of assistance to families with varying numbers of children, both at the bottom end and the top end, I want to get on the record what were the policy objectives that were put together that gave rise to the parameters for accessing FTBA.

Mr Kalisch—Looking at it from a historical perspective, the broad parameters of family assistance, which I think I explained to the committee at its last hearing, were around providing support for families to assist with the costs of raising their children. That has been a longstanding objective of this form of assistance. The parameters in terms of the income threshold at which you receive maximum payments, the extra assistance that is provided to low-income families and the tapering of that assistance away from families as their income increases, has been in the system since probably about 1987 in its broader form. Certainly with the ANTS package that the government introduced in mid-2000, the rates of assistance were increased, the threshold at which you receive maximum payment was increased, and the taper rates—that is, the rate of withdrawal—above that were substantially reduced from 50 per cent to 30 per cent. That is the nature of the change that took place then. That was the most substantive change recently.

Senator MARK BISHOP—Is it fair to say that there is a flat free area for low-income earners of \$30,806, regardless of the number of dependent children?

Ms Curran—Your family income can be \$30,806 before your entitlement to FTBA is reduced.

Senator MARK BISHOP—That is right, yes, but there is a variable upper income threshold of \$79,643 plus roughly \$3,200 for each additional child for high-income earners? Is that also correct?

Mr Kalisch—Yes.

Senator MARK BISHOP—Why is it flat at the bottom end and variable at the top end? It necessarily results in more favourable treatment of high-income families over low-income families. Is that the purpose?

Mr Sullivan—There is a difference here between asking us about income tapers and going right into a policy discussion about FTB. I understand we are not here to discuss policy. You are asking why the government chose to have a flat rate.

Senator MARK BISHOP—Yes, and a variable rate at the other end.

Mr Sullivan—I do not think that is a question for estimates.

Senator MARK BISHOP—My proposition that it is a flat rate at the bottom—

Mr Sullivan—It is. We can confirm that.

Senator MARK BISHOP—and a variable rate at the other end is not in dispute, is it?

Mr Sullivan—No.

Senator MARK BISHOP—You say that I cannot ask you why the government went down that path.

Mr Sullivan—You can ask the government that. You are inquiring of the department here about our estimates.

Senator MARK BISHOP—That is a case then for the minister. Do you understand the point I am making?

Senator Vanstone—You might repeat it to me. I am pretty sure I do, but let's get it right so we do not rehash it.

Senator MARK BISHOP—At the bottom end, there is a flat free area for low-income earners of roughly \$31,000. At the top end, the variable upper income threshold is \$79,000 for high-income earners. One of the results or conclusions of flat at the bottom and variable at the top is that high-income families receive larger benefits than do low-income families, so it favours those at the top end in comparison to those at the bottom end.

Senator Vanstone—I do not think that is right.

Senator MARK BISHOP—I am asking what was the policy objective.

Senator Vanstone—I was not there when the policy was put together, so I would have to go back and, presumably, try and get notes and papers. This was all part of the ANTS package, so I am not sure to what degree there would be those notes and papers in my own department in any event. Let us make sure we are talking about the same thing. There is a flat rate at the bottom so that low-income earners—and that is up to about \$30,000—do not have to worry about a change in income. Anybody up to that level needs some help. Then there is a point at which a taper starts, and people start to lose about 30 cents in the dollar for each extra dollar that they earn. That is consistent with longstanding policy by governments of both persuasions, that people who have more get less. Then there is a point at which that taper stops and there is a flat rate again. Then another taper starts to cut in much higher—\$79,000 or \$80,000—and that is appropriate as well. What you might ask is, 'Why have two tapers?' It is a bit like designing or picking a car. 'Why did you choose that colour? You could have

chosen another colour.' I am not a believer that in most of these things there is any one best way, and what is impacting in people's minds at the time is something that is best directed to them, but the policy as it stands meets the criteria of giving the most to those with low incomes. They do not have to worry about—

Senator MARK BISHOP—I am putting a contrary position.

Senator Vanstone—Yes, I know.

Senator MARK BISHOP—I am putting a proposition that larger high-income families—

Senator Vanstone—'Larger', meaning larger income or larger number of children?

Senator MARK BISHOP—Larger number of children.

Senator Vanstone—Yes, the policy varies the amount you get according to the number of children.

Senator MARK BISHOP—Yes.

Senator JACINTA COLLINS—Only at the higher end, not at the lower end.

Senator MARK BISHOP—Not at the bottom end.

Senator Vanstone—I see.

Mr Kalisch—It does to some extent, in that you are still adding the rates of assistance that you are getting for each additional child.

Senator MARK BISHOP—Say I had six dependent children at the top end, I would get the benefit of six multiplied by \$3,212, almost \$19,000. If I had six children as a base award worker at the low level, there is only the one threshold, regardless of the number of children. What I am asking is why do you have that objective to prefer and benefit more a larger number of high-income families with large numbers of children as opposed to low-income families with large numbers of children?

Ms Curran—Senator, for my benefit, can I make sure that I understand the nature of your question? We have a rate of \$30,806 a year and if you are on an income below that you get a maximum rate of FTB and, depending on the age of your child, that can be in the order of \$3,300, \$4,190 or \$1,427 a year, because it is based on the age of your children. Once your income rises above that amount of almost \$31,000, you go on a taper. When your income reaches the level of \$79,643, something else cuts in and then there is another taper. The withdrawal of benefit then cuts in, depending on the number of children. If you have three children, you can earn up to \$84,497 and get an FBTA entitlement. What FBTA is designed to do is to assist with the cost of children. It is income tested. We have these different income thresholds and withdrawal rates, and it attempts to recognise the differing costs associated with children of different ages. Perhaps where the confusion is arising, at least in my mind, is that you are saying that at a higher income level you get an additional allowance for an extra child but at the base rate you do not, but at the base rate we do recognise the number of children that you might have.

Mr Kalisch—The upshot of what Ms Curran has said is that a low-income family with three children or six children or whatever size will get much more than a higher income family with the same number of children at the same age. The very nature of the income tests—

Senator Vanstone—He is talking in dollar value there. It is another matter if you talk about percentage of income. That will vary.

Senator MARK BISHOP—If I had, say, a dependent wife and three children and I was on an income of \$79,643, would I get \$3,212 for each child?

Mr Kalisch—No, you would get the base amount of FTBA for each child, which is not anywhere near \$3,200. That \$3,200 is the change in the income threshold at which the taper then applies. It is not the rate of assistance. The rate of assistance is something like \$25 a fortnight, so it is quite a bit lower than the \$3,200 you were talking about.

Senator MARK BISHOP—If I have an income of \$79,000, a dependent wife and three children, where do the tapers cut in and how is that the same as if I was at the other end with a dependent wife, three children of the same age and a base rate of \$30,806? That is what I am driving at.

Senator Vanstone—You might be confusing it when you say ‘base rate’. That is the—

Senator MARK BISHOP—Cut-in rate.

Senator Vanstone—It is the cut-out rate, if you like, to get the maximum. That is the point at which you start losing the maximum and you continue losing from then on to varying degrees. I cannot see how you think that someone on a higher income with the same number of children of the same age will get more money, because they will not.

Senator MARK BISHOP—A greater benefit.

Senator Vanstone—No. More money? That is ‘a greater benefit’?

Senator MARK BISHOP—Yes.

Senator Vanstone—No. There is something that you are not getting right, but I am not sure what it is.

Mr Kalisch—Senator, one thing that we could do that might help you here is, if you can give us some illustrative family composition, we will do you a chart that shows the amount of FTB and how that travels over family income and the impact of the FTB income test. It is a stepped income test.

Senator JACINTA COLLINS—That is only part of the point. If you go back to the ANTS package and the table at the back of the ANTS package, I think the point on that is quite clear. Look at the cut-in and cut-out rates of all of the different family benefits. This one, once it tapers out after the \$30,800 level, is significant. One of the reasons that it is significant is that the taper at the lower end does not take account of the number of dependants whereas the taper at the top end does.

Mr Kalisch—It does not have an extra adjustment for the number of children.

Senator JACINTA COLLINS—Yes.

Mr Kalisch—What it does do is still have some allowance for the extra assistance you are getting per child. I think there is a complication here. That additional threshold you are getting per child is not a major significant factor. I know in the previous system, if I can refer to my memory, something like \$23,000 was the base amount and then you added \$624 for each child. So that, in effect, what the government did was congregate all of those things for the number of children. That has then substantially increased the base; up some \$7,000.

Senator Vanstone—Hypothetically, I could put it to you another way. I think I understand what you are saying, which is different from what you are asking, unless I have misunderstood. Another way to phrase it is to say that instead of having a variable cut-in for the taper, depending on the number of children one has at the higher end, at the lower end the government has put the cut-in at the highest possible point it could. In other words, if you

want to achieve what you are implying might be a good idea, there are two ways you can do it: one is to bump up the taper cut-in now, depending on the number of children; another is to take that taper down and graduate it up so that the maximum is the \$30,800.

Senator JACINTA COLLINS—Minister, that may be the explanation, because many of these changes have occurred in an ad hoc and historical way. Really, the question to government is a fairly simple one: why account for the number of children in the higher taper but not the lower one? That is the simple question. I can understand that you would not necessarily know the answer now, because of the history of it. But that is the question we would like the answer to.

Senator Vanstone—I was doing something else when this was put together—chasing Skase, I think. I can see some merit in keeping it as simple as you can. It is ideal, in a sense, to reflect the number of children, and we do that. You could say, ‘Well, you do that by payment. Why change the taper?’ On any of these things, it is very much, relatively speaking, a small design issue. I understand what you are saying now.

Senator JACINTA COLLINS—Yes.

Senator Vanstone—No disrespect. I understood the way Senator Collins put your question. We have at least clarified one point you were suggesting—that is, as a consequence of that people on higher incomes could get more money with the same number of children than someone on a lower income, and that is not the case.

Senator JACINTA COLLINS—No, I do not think that was Senator Bishop’s suggestion at all.

Senator Vanstone—We will have a look at it and give you some follow-up.

Senator MARK BISHOP—All right. This is a matter of fact, because I have a different understanding of the government’s position. Could you provide the committee with a table, starting at \$25,000 income for a family with three dependent children, rising in amounts of \$5,000, up to \$95,000, and the effect the cut-in has on the FTB?

Mr Kalisch—We can do a continuous graph for you, rather than at \$3,000 income intervals. Can I just get clarification on the age of the children, because that does make a difference.

Senator MARK BISHOP—Three under 12.

Mr Kalisch—Three under 12, or do you want some aged 13 to 15?

Senator Vanstone—You do not really care. You just want it to compare.

Senator MARK BISHOP—It is just an equation, so do both—and there is a dependent wife. I want to now turn to FTBA for older dependent children. I am advised that a family tax benefit payment of \$40.74 is available to families with dependent children aged 16 to 18 who are not eligible for youth allowance in their own right, so the family receives it. However, this family tax benefit payment is subject to an income test on the relevant dependent child. The permissible child earnings amount is \$8,346—that is, there is a sudden death income test with no taper once the child earns that amount of money. Children who do go on to work, once completing senior area, appear to be at a real risk of having their families incur a debt if they earn in excess of the amount above that \$8,346. In the instance that I have just outlined, the entire payment from the portion of the financial year that they were at school is repayable once they go over.

Senator Vanstone—That further option is part of the More Choice package.

Senator MARK BISHOP—With those facts that I have outlined, is the conclusion correct?

Mr Kalisch—Yes, certainly from the information we have in front of us, that seems accurate. But I would have to say that that child limit also applies throughout the family tax benefit system. In effect, it is the same definition of how a dependent child is drawn. If they earn about that amount, they are no longer deemed to be a dependent child.

Senator MARK BISHOP—If the child gains part-time work or even goes into semi full-time work after a certain age and they earn over that \$8,300, the family incurs a debt. How many of those instances have been brought to your attention? The reason I ask this is that so many families these days have children over the age of 15, up to the age of 18, still in a form of education, and who do two or three shifts per week—one during the week, one on weekends at KFC or Coles or Woolworths; those sorts of operations—and they easily earn \$120, \$140, \$160 a week. We are starting to receive correspondence to the effect that families are incurring debts out of the blue, or by surprise, if you like.

Senator Vanstone—I have had some letters from people about this issue—not many, I do not think. Let me rephrase that. I have replied to some, not many, but the list of who I reply to is federal and state members, and people in my own state. There may have been other people who have written to me that I do not know about and the department has responded on my behalf. I just make the simple point that there is a sudden death income test once the child has earned \$8,000—the child knows when they start earning that they are starting earning and their family know that. They know that the entitlement runs out or cuts off at \$8,000 or whatever it is. If they choose to take the payment in advance, and take the chance that the child is not going to get up to that \$8,000, then it is an overpayment if the child gets up to \$8,000.

We cannot have a system where we say to people, ‘The cut-out is at \$8,000 but, oh, gee, you took it in advance because you didn’t think you were going to get there. Now you have, you may as well keep the money.’ It is not fair to the kids who earn under \$8,000 to let other people who earn over \$8,000 keep the money. I dispute the point that it is some surprise to them that they have earned that. As a young person doing this number of shifts—I know people in the same position; it is a couple of shifts on the weekend and maybe one during the week—it is not a sudden surprise to you in June that you have earned \$8,000.

Senator MARK BISHOP—I think the quantum of income that their child is earning over a whole year might be a sudden surprise to a number of the parents.

Senator Vanstone—I think you are underestimating parents. I think parents do have a pretty good idea when their kids are working and what their kids are earning.

Mr Kalisch—The other aspect is, as I think the minister alluded to a bit earlier in one of her responses, the More Choice for Families initiative has a specific element that is to target those families with older children who are at risk of incurring a debt because of the child’s earnings. They are a specific population within the family tax benefit population that are going to be advised to think carefully and keep a record of the earnings that the child has incurred over that financial year and to monitor it. We can answer your question as well—

Senator Vanstone—They will be able to choose, for example, to not take the benefit for that child and then get it at the end of the year.

Senator MARK BISHOP—Or they could choose not to have the child work as well. That is another alternative.

Senator Vanstone—I think the better one is to not take the benefit.

Senator MARK BISHOP—Yes, but if you have options, that is an option.

Senator Vanstone—If the child has an opportunity to earn eight grand I would be encouraging the child to earn it, not only because it saves us money but the sooner kids get work experience, and all the benefits that come from that, the better.

Senator MARK BISHOP—The problem I have is that I am advised—and some of the correspondence I have seen in my office indicates this—that many parents believe they are eligible for the payment right up to the point in the year when their children's earnings exceed the dependent child's income cut-out.

Senator Vanstone—How can that be? The children are living at home. Don't they know the children are working? Is that what you are saying? A kid works three shifts, and mum and dad haven't got a clue.

Senator MARK BISHOP—I think the sudden death cut-off is the problem.

Senator JACINTA COLLINS—I think the earlier example that Senator Bishop has is a better example of this problem, which is a student who is not working at all who finishes school at the end of the year—and it may not be their final year, it might be year 10 for all we know—and makes a decision not to continue his schooling and go into work. The problem is that I am concerned with Senator Vanstone using the phrase that they have taken these benefits in advance. The notion that family support or child support should be considered as an advance payment up to 12 months in advance of when they actually have the needs for the child—that is, their child is not working at that stage—is quite alarming.

Senator Vanstone—With respect, it is not up to 12 months in advance of when they need the money.

Senator JACINTA COLLINS—The family needs the money when they have a child at school.

Senator Vanstone—It is an annual tax assistance which you can choose to have in advance. That is the system that has been operating.

Senator JACINTA COLLINS—No, that is the system you have now created and we are pointing out some problems with that.

Senator Vanstone—It has been operating since the year 2000.

Senator JACINTA COLLINS—Yes.

Senator Vanstone—So it is not some surprise I have just sprung on you now.

Senator JACINTA COLLINS—No, but there are problems with this conception of how we should deliver child support, problems we raise time and time again. This is another variant of last time's problems in relation to dependent spouses who change their income circumstances. This is perhaps even a more extreme example where parents want to look after their kid who is at school. They need assistance to do so but they are being encouraged not to claim assistance—and you are characterising it as assistance in advance while they have those needs—because their child at the end of the school year might go into work and they will be faced with a sudden death debt.

Senator Vanstone—I am not characterising it as in advance. It is in advance. It is an annual taxable payment.

Senator JACINTA COLLINS—It didn't once be in advance.

Senator Vanstone—It didn't once be, but lots of things didn't once be. We didn't once have a low employment rate. We didn't once have low interest rates. We didn't once have a whole lot of things we have now got and we are all very grateful.

Senator JACINTA COLLINS—These are the consequences for families we are pointing out and the question is: how do you deal with them?

Senator Vanstone—I understand the point you are making, Senator. I am just making the point to you that the point you are raising now has been the case since the year 2000. I agree with you that the family typification you raise is a more difficult application of the policy than the one Senator Bishop raises because I do not accept that a family with a kid living at home does not know when a kid is working three shifts. I think they do know. But there would be some children on whose behalf the family have taken this money in advance and then the child decides not to go back to school, goes out to work and successfully gets a job. Incidentally I would hope not. I would have a kid who leaves school at year 10 and decides—

Senator JACINTA COLLINS—They might go to an apprenticeship.

Senator Vanstone—I hope they go into some form of training but they may go into a form of training that has a payment accompanying it and that payment may then make them not eligible. The constant comparison we need to make is as between the family who has that income—that same number of children, same age, et cetera—and the family where the child does not earn that income.

Senator MARK BISHOP—Do we have any idea of the scale of this problem because the proposition is this: the child turns 15 or 16, gets some part-time or casual work and might earn over \$8,000-odd a year. At the sudden cut-in the family becomes liable for a debt and immediately should have advised beforehand so that the level of FTB they received is reduced, but it does go on. Thus if parents in low-income areas are going to have their children in part-time work they need to be aware of the consequences in terms of benefits they receive from the government. They cannot get it at both ends. What I am asking Mr Kalisch is: what is the scale of this issue? Do you have any figures you can give us?

Mr Sullivan—We can do some numbers. It will not be in the circumstances you then just described. What we will be able to tell you is how many debts arose as a result of dependant income. That is whether that dependant income came as a surprise or whether that dependant income was always there and someone just didn't take notice of it.

Senator JACINTA COLLINS—This is for visible child earnings.

Mr Sullivan—We actually answered this question for you in question 19 at the last estimates and we will update the answer for you in this estimates, but you were given the scale last time as well.

Senator JACINTA COLLINS—What was the answer? Refresh our memory.

Mr Kalisch—It was around 3,000 cases in this financial year.

Senator JACINTA COLLINS—Do they relate to permissible child earnings or dependant earnings?

Mr Kalisch—That just relates to dependent child earnings. I want to put something else on the record. It is quite likely that these families are higher income families. If they are lower income families, in all probability the child will be receiving youth allowance rather than FTB. They are upper middle income families

Senator MARK BISHOP—Is youth allowance payable to families with children at home?

Mr Kalisch—Yes, as long as they are in recognised education and training, even Job Search.

Senator Vanstone—What income range are we talking about there roughly?

Mr Kalisch—Roughly, \$40,000.

Senator Vanstone—I do understand that most Australians earn less, I think, than male total average weekly earnings. Everybody isn't rich. People here are earning in the top percentages of income. But it is an especially lucky country when you have families earning over 40 grand, given there are lots of families who earn less than that, and one of their kids earns \$8,000—and there is a complaint that they have to give some sort of welfare benefit back. Excuse me, I don't think we know what lucky is.

Senator JACINTA COLLINS—I think you might have to factor how many children are in that family before you comment too much on that.

Senator Vanstone—I appreciate that variable as well, but there are families whose total income is far less than that \$40,000.

Senator MARK BISHOP—We had a discussion here prior to lunch with families with assets of several millions of dollars who are receiving assistance from the same agencies at the end of the table here.

Senator Vanstone—Let us not blame Centrelink. The government service is delivering an agency which does what it is contracted to do by various departments and you cannot pick on them for doing what they are contracted to do.

Senator MARK BISHOP—You wanted to raise the point about families on incomes of \$40,000 receiving a form of assistance. I am just making the obvious point that in the previous question there were families with assets worth millions of dollars who are receiving tens of thousands of dollars of payments from the government. You can't have it both ways.

Senator Vanstone—But they are not family tax payments, are they? They are different payments with different requirements and different circumstances and different consequences if the help is not provided.

Senator MARK BISHOP—They have still got asset bases of millions of dollars. No-one disputes that.

Senator MOORE—Mr Kalisch, you said this particular issue, which has been identified and there has been strong agreement that there is a need in this area, is going to be picked up in the mail-out that Mr Tidswell mentioned earlier in terms of telling people what their options are. It just reinforces the point that was made this morning that the form and content of that mail-out is going to have to be quite clear. The kinds of things we have talked about—explaining to the parent and their dependants as to how it is going to impact—are going to represent a real challenge for the consultants.

Mr Kalisch—It is certainly quite a challenging task. We are trying to make it clear to customers that they can elect to do this for a child who is in that particular age range and they can have a different election for that particular child than for younger children who would not be affected by that provision.

Senator JACINTA COLLINS—Has there been any contemplation during our discussions on this issue as to further options to deal with more extreme examples such as a child who leaves school?

Mr Sullivan—Clearly that is a question for government. Government made its announcements on what the More Choice for Families program would be in September. We are implementing that, so there are no other decisions.

Senator JACINTA COLLINS—But you cannot say the department has done any work in that area.

Mr Sullivan—No, we have not. By ‘work in that area’ we understand the income tapers and we understand the issues of income tapers. As Mr Kalisch said, they are certainly built into the tax system. Therefore, there is a lot of discussion, or there is an understanding of the position in Treasury as well as with us.

Senator Vanstone—I understand we will not be asking for more work to be done for some time because, as you heard earlier this morning, we are really only just at the point where a vast majority can now access more choices and it will not be fully complete until the end of July. It is not sensible policy to say, ‘Gee, we haven’t seen now if that’s even got under way. Let’s see if we can fiddle with it again.’ It is just not sensible to do that. We want to see the consequences of the more choice we have provided. We have already had some comment about more people getting top-ups. I am pleased to see that; I hope that continues.

Let us wait and see what happens when the more choices are really out there and available and everyone has had a fair crack at them. I will not regard that, incidentally, as being in July this year. It is February where it all comes online. As you rightly identify, there could be families with a kid who does not go back to school; they have already put themselves in this position and the choices have not been available to them from July last year. It will be more towards half to three-quarters of the way through the next financial year that we will be able to have some idea of how we are going.

Senator JACINTA COLLINS—Then how will we measure the impact of families deciding to defer family support? You say ‘not take it in advance’; I say ‘to defer family support’ because that is in reality what they are doing. They have the need at a particular point in time, because the circumstances apply at that particular point in time, to defer it on the basis that they could potentially face a debt. When will we know how that impacts on their day-to-day circumstances? Or how will we know that? How will we know the impact on families who forgo family support when they need to give the support to the child because they fear a debt?

Senator Vanstone—With respect, people might choose to forgo in terms of the child you are talking about. But in terms of the other payments, for example FTBA, I would think it would only be a much-higher-income family that would choose to forgo and take it at the end of the year. Some people do that but I would think the more likely arrangement would be that families might choose to take the minimum rate and then take a top-up. I am not envisaging that families will say, ‘Well, I won’t have anything till the end of the year.’ I think they will take the minimum rate and have a top-up.

Senator JACINTA COLLINS—At what age do children go onto Youth Allowance in low-income families?

Mr Kalisch—Potentially from age 16.

Senator JACINTA COLLINS—In that case the advice to a low-income family with a child would be more likely to put them over onto Youth Allowance because if they change their circumstances they will not have a debt if they lose Youth Allowance, whereas if you are receiving other forms of family support for them, you could face a debt if their circumstances change. Would that be a reasonable assessment of the situation?

Ms Rushton—Yes, that would be reasonable. As long as the young person notifies Centrelink of their circumstances, they will not incur a debt.

Senator MARK BISHOP—Can we now turn to the treatment of family income, the FTB income test. I am advised that there is a principle called adjusted taxable income—ATI. That comprises taxable income plus adjusted fringe benefits, plus net rental property losses, plus tax-free pensions or benefits, plus targeted foreign income, less 100 per cent of child maintenance payment for nonresident parents. It is a fairly complex estimation process. Are those matters that I outlined all the components of the ATI?

Ms Curran—That is my understanding, Senator.

Senator MARK BISHOP—Can you tell me how rental property losses are treated; how it works in the calculation?

Ms Curran—We would probably defer to our Centrelink colleagues in terms of the actual mechanics of the—

Mr Tidswell—Senator, we ask families to estimate their net rental property loss. They include that in their estimate for the year. At the end of the year we get that data from the tax office and we confirm a reconciliation result.

Senator MARK BISHOP—How is that net rental property loss calculated?

Mr Tidswell—Rather than coming off your taxable income you add it back on. If you earn some income from a rental property, instead of taking it off your income—as you would for taxation purposes—it gets added back in for family tax benefit purposes.

Senator MARK BISHOP—I understand that. I am asking how the net figure is arrived at. Is it total income from rent minus outgoings and costs?

Mr Tidswell—Yes.

Mr Kalisch—Senator, my understanding is that we just take the tax definition that people put on their tax assessment for net rental property loss. That one figure is what we plug back into our system.

Senator MARK BISHOP—How are they apportioned for a couple who jointly own a rental property?

Mr Kalisch—As per the tax; fifty-fifty if it is joint ownership.

Mr Sullivan—Percentages for whatever the other form of ownership is.

Mr Kalisch—People can choose whatever form of composite ownership they want. It might be one to 99, it might be 60-40, it might be fifty-fifty.

Mr Sullivan—But they cannot choose afterwards. If they are joint owners of a property, Tax regards it as fifty-fifty and that is how we deal with it.

Senator MARK BISHOP—That is determined in the tax act?

Mr Kalisch—But in our system we take into account the joint family income anyway, so it is not really going to make too much difference.

Senator MARK BISHOP—How are the losses apportioned to a parent who is receiving the family tax benefit B but has no other income?

Mr Kalisch—That is added onto their income.

Mr Sullivan—Their income would move from negative income to zero. If your only income is a tax loss on property it would move to zero.

Senator MARK BISHOP—It has no effect on their entitlement.

Mr Kalisch—On their assessment of their own personal income an FTBB would actually mean that they would have a positive adjusted taxable income because the net rental property loss would go from zero to the positive figure.

Senator MARK BISHOP—Does it go from zero to positive or from negative to zero?

Mr Kalisch—Can we come back to you on that?

Senator MARK BISHOP—Can you take that on notice then, and how it is applied in that situation.

Mr Kalisch—There are some clever rules that the tax office has that you cannot have negative income.

Senator JACINTA COLLINS—These are not hypothetical questions.

Senator MARK BISHOP—Are each of the components of the ATI that I outlined earlier verified as part of the reconciliation process by Centrelink?

Mr Tidswell—Not by Centrelink but by the Australian Tax Office.

Senator MARK BISHOP—By ATO.

Mr Tidswell—The data we are provided from the ATO is used to confirm the income for the family for a particular year.

Senator MARK BISHOP—That would be up to the ATO to verify if they so choose.

Mr Tidswell—The one area I am not sure on is the pensions from overseas.

Senator MARK BISHOP—Is that a question best directed to ATO?

Mr Sullivan—We will take the question and compile that information, Senator.

Senator MARK BISHOP—All right then.

Mr Kalisch—This is not a new issue. That aspect of all of these things added back in has been in the system for probably eight to nine or 10 years.

Senator MARK BISHOP—Can you also tell me how DVA pensions or benefits are verified as part of the reconciliation process?

Mr Sullivan—Yes.

Senator MARK BISHOP—Does it occur automatically? How is CSA expenditure verified as part of the reconciliation process? Does it occur automatically? How is foreign income verified as part of the reconciliation process? Does it occur automatically? It is best if you take it on notice.

Mr Kalisch—Yes.

Senator MARK BISHOP—Senator Minchin, on 16 August in press release No. 31 of 2002, advised that his department had now formally costed paid maternity leave at between \$415 million and \$780 million per annum, depending on the rate of pay and eligibility. Is it possible to make that information available to the committee?

Senator Vanstone—You are asking about a press release Senator Minchin put out?

Senator MARK BISHOP—Yes.

Senator Vanstone—Presumably with costings done by Finance. You should direct your question to Senator Minchin and the Finance estimates.

Senator MARK BISHOP—Let me ask the prior question then: has that information been made available to Family and Community Services?

Ms Dempster—We have received the press release, like you, and we are aware of the detailed costings to the degree that you are as well.

Senator MARK BISHOP—As per the press release?

Ms Dempster—Yes.

Senator MARK BISHOP—That is just the bald figures.

Ms Dempster—Yes.

Mr Kalisch—We were not privy to those detailed calculations, as far as I am aware.

Senator MARK BISHOP—And the department has not requested those calculations?

Mr Kalisch—No.

Senator MARK BISHOP—Can I ask, through the committee, if that information could be provided to this committee on notice.

Mr Sullivan—By whom?

Senator MARK BISHOP—Not by yourself, by Finance.

Mr Sullivan—Are you asking us to pass that question on to the Department of Finance through their appropriate committee?

Senator MARK BISHOP—Yes.

CHAIR—That is not normal procedure; not normal procedure at all, Senator. If you want that you can have it put down by one of your colleagues for the appropriate committee.

Senator MARK BISHOP—All right. All files held by departments are listed and allocated a number. That list of numbers identifying files is tabled in the Senate every 12 months I think. Are you familiar with that process, Mr Sullivan?

Mr Sullivan—Yes, I am.

Senator Vanstone—I think it was Senator Harradine's initiative, actually.

Senator MARK BISHOP—Yes, it is. It has been around. Are committees entitled to access the content of those files identified in that tabling interest?

Mr Sullivan—No.

Senator MARK BISHOP—They are not.

Mr Sullivan—No, they know the name of the file.

Senator MARK BISHOP—They know the name of the file and the number. Is that all that is available?

Mr Sullivan—That is a very general question. There is a whole range of material in files of which there is never a problem in providing access to anyone who asks for it. There are other materials in files which relate to the workings of government.

Senator Vanstone—I have often had the opportunity to say, when I was in opposition—I still say it now actually—if everyone wants to shorten this process we all have to agree that governments forever and a day will open all of their files to parliament generally. As soon as you realise that is not going to happen you then have a process by which you try and identify where people might best look. I spent most of my time in the Senate when there was no list; no list of even the file notes.

Senator MARK BISHOP—If I asked the department, consistent with freedom of information rules, to provide the contents of file 2002/07464, would you provide that information?

Mr Sullivan—You are saying ‘consistent’—are you asking me under the FOI Act or are you asking me as a member of this committee to have access to that file? You are saying ‘consistent’ with something; it is either an FOI request—and we will deal with it under the FOI Act, or are you—

Senator MARK BISHOP—An FOI request.

Mr Sullivan—All right. We will get you the things to fill out and we will enter it under the FOI.

Senator Vanstone—What is that file number?

Senator MARK BISHOP—That relates to policy and relates to the issue of the calculations referred to in the previous question.

Mr Sullivan—What is the name of the file? It is an assertion to say it relates to what we have just said we do not have.

Senator Vanstone—You have given us the number; have you got the name?

Senator MARK BISHOP—No, I have not.

Mr Sullivan—You just made an assertion that that relates to something which we have just given you answers—

Senator MARK BISHOP—I understand it to relate to that.

Mr Sullivan—No, you said it did. We do our own work on maternity allowance—you asked on paid maternity leave—

Senator JACINTA COLLINS—I think that is what the file is, your own work. We are not asking you for Minchin’s work. We are asking you for what work you have done.

Mr Sullivan—I was only worried that it was suggested then that I had a file—

Senator JACINTA COLLINS—No, we were not suggesting that at all.

Mr Sullivan—which I had said we did not have material on.

Mr Kalisch—But there will nonetheless be limitations on what we can give you in terms of policy advice to government around these very issues.

Senator JACINTA COLLINS—Is there a different test between a request that would come from this committee as opposed to a FOI request? Is there a different criteria?

Mr Sullivan—I would ask you if it was a question of this committee. You would ask me a series of questions and ask me then to say, ‘What papers could you give us on this?’ and I would take it on notice. If it was relevant to the question—we have not got a question, it is just a file, but I will assume from questions—FOI is a straightforward process which says you want these papers and I have a set of criteria to judge that request against.

Senator Vanstone—I can assure you the estimates process will completely fall apart if committees take it upon themselves to say, ‘Here is a list of the files; actually it is all of the files in the department. Please could you give me everything out of these, other than those which for some reason you are entitled to hold back.’ It would just fall apart. It makes the return to order process of the Senate look ridiculous and, frankly, makes these look ridiculous, too.

Senator MARK BISHOP—All right. Let me ask you this question—

Senator Vanstone—And can I say all it will do is boost the sale of rather large post-it notes.

Senator MARK BISHOP—Has the department been asked to cost a homemaker style allowance?

Mr Sullivan—The department is involved in a number of possible policy options around work and family through the work and family task force. We are participating actively in that policy development work for government.

Senator MARK BISHOP—Is that one of the options that you are costing?

Mr Sullivan—You would have to explain what you mean by ‘homemaker allowance’. I do not think there is a standard definition for it.

Senator MARK BISHOP—A homemaker allowance is an allowance paid to families which have one of the partners who chooses to remain at home in unpaid employment pursuing the role of parent and homemaker.

Senator Vanstone—That is FTBB.

Mr Sullivan—Senator, I think we are delving now into very active policy considerations of government which I do not feel we should be answering questions about.

Senator Vanstone—But that definition you have given there fits FTBB.

Mr Sullivan—It could fit FTBB.

Senator JACINTA COLLINS—It does, except there has been a longstanding discussion about increasing it and remodelling the way in which FTB might be delivered.

Senator Vanstone—I do not know who you think has had that longstanding discussion—

Senator JACINTA COLLINS—Public discussion.

Senator Vanstone—But any things I have seen in the paper that people might have raised would nonetheless fit under the rubric of your definition—unless you added more criteria—and that is how it is with any welfare payment. It is ‘Where does your fence stop?’ because otherwise it is just a generality.

Senator MARK BISHOP—Was the answer to the question, Mr Sullivan, that the government is doing a range of work under this family policy area and that is one of the options being considered and costed?

Senator Vanstone—No, that was not the answer at all.

Mr Sullivan—I think the government has established a working family task force. It is chaired by PM&C. If you feel you can do better with them, you should ask them, but I am not going to be saying what is in that consideration, what is being worked on, what is not being worked on. We have a broad range of policy work which we are engaged in.

Senator MARK BISHOP—Okay. I now turn to the Men and Family Relationship program.

Senator Vanstone—You asked about this last year.

Senator MARK BISHOP—Yes, from memory.

Senator Vanstone—No, it was brought to my attention.

Senator MARK BISHOP—Sorry?

Senator Vanstone—Yes, I have got a good memory, but this issue was brought to my attention. This is the one you raised last year, isn't it? Do you want to know when the report is coming out?

Senator MARK BISHOP—Yes, that is one of the issues.

Senator Vanstone—Very soon.

Senator JACINTA COLLINS—Was that the answer last year?

Senator MARK BISHOP—It must be getting closer.

Senator Vanstone—It is.

Senator MARK BISHOP—It is the answer for the last three years.

Senator Vanstone—Honestly, someone in my office raised it with me this morning and said, 'Senator Bishop has asked about this before. You ought to know there was consideration of this being done in a variety of ways. That has not happened. Now we are going to have to send it to you to look at so that you can release it.' It has been held back for a number of considerations, apparently, that are now not going to proceed. It is therefore going to be given to me, or has already been put to my office. Dutifully this person recalled that you had raised it last year and said, 'You now have got it and it is in your hands as to when it comes out.' I can tell you it is only in my hands. There is no-one else to interfere in this and it will be soon.

Senator MARK BISHOP—Because last year when I asked the question all the program funding under this area was rolled over for 12 months to take it through to June of this year while the review was completed. So the review has been completed; it has been given up to your office and you will consider it in due course and release it soon.

Senator Vanstone—Yes. I am very sympathetic to the achievements of that program. I think it is very sensible.

Senator MARK BISHOP—We understand that, as part of this review, the department has plotted which services operate in which places around the country and what types of services they provide. Could you take it on notice and provide a copy of that material to the committee.

Senator Vanstone—I will take on notice whether I can and when I can.

Senator MARK BISHOP—Does the government intend to formally respond? Is that your normal process?

Senator Vanstone—It is a bit difficult. We are leading up to the budget. You can ask whatever you like but I am going to tell you we are leading up to the budget.

Senator MARK BISHOP—All right. I hear what you are saying there.

Senator Vanstone—You identified yourself when the money runs out for this so you would expect it to be considered in that context. I am not telling you anything you would not have deduced for yourself.

Senator MARK BISHOP—You have the report and the money runs out in June of this year. It is normal process for the government to respond to a report once it is released, isn't it?

Senator Vanstone—This is apparently an evaluation we did ourselves. It is not like a committee report that we were asked to respond to. It is something we have prepared to evaluate what we are doing.

Senator MARK BISHOP—All right, and I will not ask you questions about finance because that is in the budget context. I now turn to the JPET program. Is Ms Rushton available? Is she no longer involved in the JPET program?

Mr Sullivan—Ms Rushton is here.

Senator MARK BISHOP—We have an email here from a Ms Kerry Elizabeth, dated 10 February of this year, announcing that the JPET funding round has been cancelled and that funding to existing JPET providers has been extended to June 2004. Can you confirm that Ms Elizabeth sent out that email and that is the case?

Mr Sullivan—I can confirm an email was sent, saying that the process around JPET was discontinued. That was done by the department. Separately the Minister for Children and Youth Affairs had agreed to a recommendation to offer to existing JPET providers an extension of their funding through to 30 June 2004.

Senator MARK BISHOP—Last time we were here you advised that two persons were going to be engaged in that review of JPET, one a departmental officer and the other, from memory, a person fairly senior from outside the department but from within the community. That has occurred?

Mr Sullivan—That did occur.

Senator MARK BISHOP—And the persons involved were Ms Goodall and Ms Swift?

Mr Sullivan—That is right.

Senator MARK BISHOP—Will you be able to provide us with a copy of their report?

Mr Sullivan—The process we are going through is this: the department commissioned Ms Swift and Ms Goodall to produce that report. We asked that that report be produced by the end of January. They complied with that request and have delivered to me a report. The report goes into findings and into an examination of those findings, and the report also goes to recommendations. I have released to all 600 service providers who made application in the JPET round a copy of the recommendations of the report.

I have committed to each of those 600 providers that next there will be some consultations with them over the recommendations, which will help inform the department in respect of its decisions as to the findings and its actions and proposed actions in respect of the findings of the report. This is fundamentally about ensuring that the immediate focus is on taking JPET forward and how we plan for and deliver the process—a new process—to determine where and by whom JPET services should be provided.

We are doing a lot of work to understand, debrief and respond to, if you like, the forensics of what went wrong. In the strategy I am pursuing on this, I very much want there to be that dual role, that is, to have a first and positive emphasis on where we are going forward, and then to have a secondary and open understanding of the detailed findings within the report and how the department has responded to those detailed findings. So as well as committing to consultation and providing the recommendations to all 600 potential JPET service delivery organisations, I have committed to them that I will release the report, including all of its findings, during March.

If you were to insist and say, ‘I must have the report,’ I would take it on notice and get some advice and get back to you properly. I recognise that in providing you with a copy of that report it would become a public document.

Senator MARK BISHOP—Yes.

Mr Sullivan—And it would significantly distract my strategy. We want the sector and everyone to understand that we are extremely keen to share with them and anyone else the findings of this report. It will become a public document but I have a fair amount of work to do inside the department in terms of this report having been delivered to me in its final form in very recent times—last Friday. I released the recommendations on Monday night and I have committed to the full release of the document once we have gone through it. That means that staff in my department who were involved in the process need to be taken through an exercise of understanding where this report has gone and how it is doing. That is my strategy. As I say, if you were to insist, Senator, I would take that on notice. I would take advice and I would get back to you.

Senator MARK BISHOP—All right, then.

Mr Sullivan—But I would certainly be—

Senator MARK BISHOP—At this stage what you say is that the recommendations have gone to the 600 JPET providers.

Mr Sullivan—The applicants.

Senator MARK BISHOP—Applicants, yes. You are going to be consulting in the immediate future with them as to where this whole issue is going. Did you say you plan to release the findings or the report itself?

Mr Sullivan—The full report, including the findings.

Senator MARK BISHOP—Sometime in March?

Mr Sullivan—Yes.

Senator MARK BISHOP—At which time it will become a public document. Mr Sullivan, I would ask you to take the request on board and provide the committee with a formal response of acquiescence or your reasons for not complying with the request.

Mr Sullivan—All right, as long as you understand that, if this document through this process does become a public document, it does disrupt what I thought was a very well-considered and planned process of proper consultation with the sector.

Senator MARK BISHOP—I understand that.

Mr Sullivan—That is what I am asking you when asking you to make that request or not.

Senator MARK BISHOP—You are inviting me to give consideration to the fact that, if the report is released to the committee prior to the time that you had anticipated it becoming a public document, it would have a significant impact on the work that you and the department had planned to carry out prior to that date?

Mr Sullivan—I believe so.

Senator MARK BISHOP—I understand the point you are making. I have made the request, and you will provide us with a response.

Mr Sullivan—Yes.

Senator MARK BISHOP—Did you say the decision had been made to roll over existing funding to June 2004?

Mr Sullivan—The decision has been made to make an offer to existing JPET providers to extend their funding through to June 2004.

Senator MARK BISHOP—What quantum of funds does that involve?

Mr Sullivan—About \$18½ million per annum.

Senator MARK BISHOP—That goes to how many providers?

Mr Sullivan—One hundred and thirty four providers would be in receipt of that offer. It is up to them whether they accept that offer.

Senator Vanstone—Can I clarify something, to make sure it is on the record and clear. I understood the question you put to Mr Sullivan, and what he is saying to you is that, if you ask for the release of the report prior to the time he had otherwise intended to release it, it would in his view significantly interfere with the proper continuing conduct of that matter. Your response is, 'I'm still putting the question to him.' Is it that you still want it as soon as you can have it, even if it does interfere, or are you saying you are happy to take his advice as to the appropriateness of it?

Senator MARK BISHOP—No, I was continuing the request for the report to be made available to the committee. I was putting on the record that I understood the nature of Mr Sullivan's objection to providing that report earlier than he had otherwise planned, and I put that on the record because I—

Senator Vanstone—But you are still asking for it earlier than otherwise planned?

Senator MARK BISHOP—You know as well as I do, Senator Vanstone, that it is put on the record for a reason. That reason will be relayed to the people who have requested the report, and decisions will be made. I think that Mr Sullivan was making sure that I understood his objection. This is not my portfolio area; you know that.

Mr Sullivan—So that means we may be informed that it is not required?

Senator MARK BISHOP—Yes.

Senator Vanstone—Thank you for that, because that was not clear. It is now clear. We will get back to you and you can take—

Senator MARK BISHOP—I am saying that that decision will be made by the respective shadow minister. It is not my responsibility.

Senator Vanstone—Yes, I understand.

Mr Sullivan—The senator has mentioned the respective shadow ministers, and I do wish at some stage in this discussion to make a statement about JPET. When that is appropriate I will leave to you.

Senator MARK BISHOP—If you wish to make a statement about JPET, Mr Sullivan, I do not—

Mr Sullivan—You raised the shadow ministers, and it really goes directly to them.

Senator MARK BISHOP—I am making the obvious point, because I am the representative.

Mr Sullivan—I have thought about this since last night and it is how, as a public servant, I could and may respond to a press release issued by two shadow ministers, Ms Roxon and Mr Albanese. That press release was labelled:

Labour saves youth funding: department admits government got it wrong.

There is a particular paragraph, as well as the title, that I take exception to. It said:

We—

presumably the shadow ministers—

fought this unfair round every step of the way and we are proud that the Department has decided to side with the Labor Party about this.

I seriously last night considered drafting my own press release to respond to a release that either intentionally or unintentionally attacks the repute and integrity of the department, including me. That repute and integrity is what we rely on to do our jobs well. It is what we rely on to have you, as a committee, satisfied as to our openness and our capacity to work with both the government and the opposition. I decided it was probably more appropriate for me to use this forum to respond rather than engage in something that, as a public servant, I have never done and that is issue press releases.

My concerns are simple. The tender for JPET services has been and will continue to be a departmental responsibility. Ministers have been and are rightly interested, but the design and process of this tender was solely the department's. When the letters of concern were relayed by my minister regarding the tender it was immediately clear that it was my issue to deal with.

My portfolio minister, Senator Vanstone, and the minister responsible for JPET, Larry Anthony, have displayed their confidence in my ability to handle these important governance issues impacting potentially on many providers and the vulnerable youth they help.

The government did not get it wrong. Quite simply, it is the department that has made mistakes. We regret those mistakes and are working hard to restore the process and the confidence of the sector. Importantly, when issues were raised, we acted quickly and decisively, and we see the need to move forward.

I take great exception to the claim that 'the department has decided to side with the Labor Party about this.' That statement both concerns and bewilders me. We had extensive questioning from this committee about JPET last estimates. It was cut short. However, we answered some 32 questions on notice. We have never been asked to brief shadow ministers, nor did they ask to be briefed, nor did shadow ministers offer an opinion on what we should do. I find other comments such as:

Let's hope he—

I presume meaning my minister, Larry Anthony—

can see the light and keep this program running—

misleading and unhelpful. The department is totally committed to JPET. JPET is highly successful and has an outstanding track record. The process we are going to embark on will ensure its continued success. As I have said, to allege that the decision taken represents the department telling government that government got it wrong or that the department took a decision to side with the Labor Party is something that has no foundation and, in my personal view, represents an extremely serious attack on the integrity of the department and its officers, including me.

I will convey in writing to both Mr Albanese and Ms Roxon those concerns, but when we sit here I do believe we are helpful and open. I must say that press release came as a shock to me. I have never seen one like it.

Senator MARK BISHOP—I will draw your comments to the attention of the relevant shadow ministers, Mr Sullivan, which is what I think you are inviting me to do.

Mr Sullivan—I think it is more important than that. I think this goes to the integrity of a public service department and what we do. In answers to oral questions from you, you established through extensive questioning the facts and you went to some extent to establish that it was the department running this exercise. As I say, it may be unintentional, and if it is

there are probably processes to correct it, but I find it disappointing to then see a press release which does not bear any semblance of the knowledge that has been drawn out and shared about the process. I have worked with many committees and I respect the role of oppositions and their need for knowledge as much as I respect the role of the government, but for it to be publicly said and suggested that I led my department in some partnership with the opposition against the government is something that I find, as I say, quite bewildering and unprofessional. I will leave it at that.

Senator MARK BISHOP—I think there should be some response on behalf of the opposition. You are correct to recall that there was extensive examination of you and other departmental officers last year that went for some considerable time—now that it is starting to come back into my memory. You do observe that at that time you were at pains to identify responsibility for action that was less than satisfactory and planned remedial action into the future was properly the role of the department. You are also correct in recalling that a large number of questions were placed on notice by me.

Mr Sullivan—And were answered in full.

Senator MARK BISHOP—And have been responded to in full. As to the conclusions drawn by the shadow minister of the opposition and put out in the press release, that is in my view entirely a legitimate observation for them to make, and it is a legitimate interpretation for them to make and formally place on the record as to the conduct of proceedings to date.

Mr Sullivan—In saying it is legitimate, you are giving me a response which is surprising.

Senator MARK BISHOP—What I am saying is that they have an entitlement to draw that interpretation—that is their responsibility—and to put it on the public record. You now take, at the first available opportunity, considerable objection to the content of their press release and, by implication, its tone and conclusions. That is a debate that could go backwards and forwards. I do note your strong objection for the record and I will undertake to relay it to both of my colleagues. How they choose to resolve that issue in carrying out their duties is a matter for them to determine with you.

Mr Sullivan—That is fine, Senator. I raised it then because you were, in response to another very important issue, saying you were basically doing their bidding and that they would decide whether this committee would ask for a report or not.

Senator MARK BISHOP—Yes.

Mr Sullivan—So clearly they take notice of the information gathered here. I will deal with anything in my department which needs dealing with and I am very comfortable about anyone looking at the evidence they collected. To draw the conclusions that have been drawn—for those conclusions to have been reached by any reasonable person—is beyond me.

Senator Vanstone—I might add—not that it is not clear but just in case it is not crystal clear—that I certainly drew no inference from what Mr Sullivan said that related back to you, Senator Bishop, and the proper asking of those proper questions and the proper answers, even last time. I took his remarks to be completely and wholly directed towards the two shadow ministers.

Senator MARK BISHOP—I did not take any offence.

Senator Vanstone—Well, I'll go and have a beer then!

Senator MARK BISHOP—And if it was, it would not worry me. I am just responding. We both understand where we are coming from. I just want to make the point that, regarding the request for a copy of the report and your response as to the complications that might

follow from that in terms of whether the issue is pressed whilst I am the Senate spokesperson for social security matters, that is properly a decision for the respective shadow ministers to make and, whatever decision they make, I will, if I am requested to, relay that to the committee secretary.

Mr Sullivan—Thank you.

Senator MARK BISHOP—Going back to the substance of the issue, you said you either had or you were about to send out the recommendations to the relevant—

Mr Sullivan—The recommendations have gone. They went on Monday night to all 600.

Senator MARK BISHOP—In that case, then, that is a public document.

Mr Sullivan—I have no problem in giving you that.

Senator MARK BISHOP—I think we have a copy in the files, Mr Sullivan. I was going to ask you to explain what the reviewers meant by recommendation 4, that ‘FACS consolidates and resources robust advisory and consultative structures and mechanisms in the JPET program.’ Can you add anything to the bald recommendation just by way of detail?

Mr Sullivan—This issue has revealed for us a number of things. There are technical processes around tenders and this department has a strong repute in the sector for consultation. There is a view that we do our work in a highly consultative way and there have been some excellent examples, in terms of contracting for human services, where I think we have lived up to that reputation. I include the recent PSP tender. The reviewers are recommending that in respect of JPET we move to meet that expectation that we will consult more fully on all aspects of JPET, be it the policy considerations behind JPET, the conclusions drawn from needs analysis studies, or looking into the mechanics of a process to determine whether existent or new providers shall continue to provide JPET services. The fact that we have now communicated with all 600, passed the recommendations to them and invited them to consultations, ensuring that those who will have difficulty in meeting the expense to get to those consultations will be assisted, is the start in how we are going to consult with the sector about JPET in the future. That is what is behind that recommendation.

Senator MARK BISHOP—Is the recommendation really asking FACS to consider institutionalising formal structures around consultation processes with the community?

Mr Sullivan—In respect of JPET, one of the things we do not want to do is institutionalise a set of structures, because our breadth is such that we need to design the most suitable sort of consultation for the product that we are dealing with. The recommendation is far more one about saying, ‘Live your strategy, so that you do work in partnership with service providers and, in respect of JPET, embrace the sector in developing any new policy response or any new way of doing business with the sector.’

I think it is a view coming from the reviewers and their specific thing is that the sector would respond to such an approach and a way of doing business. Certainly I must say that our engagement with the sector has been quite intense over the last four or five weeks and it has been an intensely positive experience of consultation with them, including response and reaction over the last week or days.

Senator MARK BISHOP—I want to identify what we are talking about. If you went down that path of having a positive response to recommendation 4, that response would only apply to the JPET program and not other programs that the department administers.

Mr Sullivan—We will be talking to all areas of the department about the way they consult with their sectors. We have an enviable record in many areas of our capacity in the way we

consult, which we will maintain. In respect of this process, clearly the reviewers felt that that recommendation came from a view that there were a lot of things happening in JPET in respect of a process for tender, the conduct of a needs analysis survey and the policy responses to that needs analysis survey. Part of the problem was that the sector was probably only fully aware of one aspect of all of those things happening and that was the JPET tender process, and yet there was a lot of interlocking here and this has created part of the problem. It is, as I find most of the recommendations there, a sensible recommendation.

Senator MARK BISHOP—Now that JPET has had two full evaluations over the last two years, why do the authors of that report have the view that there needs to be a new needs analysis undertaken of the program, as shown in recommendation 6?

Ms Beauchamp—These are issues, including that recommendation, around the needs analysis that we need to work through with the community and the sector. From the report, it appears that there were some concerns around the needs analysis that had been used. We need to work through with the sector and the community how we will go about identifying those needs, in particular those high-needs areas. We will do that, starting with the consultations that have been outlined.

Senator MARK BISHOP—Do the more recent evaluations suggest there have been some deficiencies in the status of previous needs analysis?

Mr Sullivan—I think we had two things. One was the evaluation of JPET, which was very positive, and it really said that the government's continued and improved investment in JPET was a wise thing to do. Secondly, we conducted a needs analysis which basically said that, no matter how much money we spend in support of youth under a program like JPET, we know that the need is higher. Therefore, you must be in a position to satisfy yourself that the resource is being spent in the areas of highest need. We conducted that needs analysis and that certainly did suggest to us that there should be some redistribution of resource, particularly into areas which had no JPET services but where need was demonstrably high.

The review, in terms of having a lot of talking with the sector, picked up the fact that there was a deal of concern about that needs analysis—whether, in fact, it did correctly present to us where the highest need was. We are certainly keen to talk to the sector and understand where their concerns are about that needs analysis. Whether or not it concludes with us doing further needs analysis work or something else, as Ms Beauchamp says, it is something we need to conclude with the sector.

Senator MARK BISHOP—I think it is fair to say that JPET is not the largest program that the department administers.

Mr Sullivan—No.

Senator MARK BISHOP—Are the problems that have now been identified and discussed fairly widely over the last two years peculiar to this program and this tender process, or are there issues that apply across the board?

Mr Sullivan—That is part of the work we are doing. We have to look and see whether there is any broader application of the issues coming from this tender to our work. We know that we have had highly regarded and successful tender processes in the human services areas. The PSP tender was applauded by the sector in terms of its design and its process and its outcomes. That included successful as well as unsuccessful applicants for that process. We know that it is not a case that, 'Well, this throws up everything we have done in this area as being not very good.' This had peculiarities about it. We are talking about a program that has

been transferred between portfolios, where processes had been coming across between portfolios.

Clearly, we have our corporate governance people and process people looking as carefully as we are having our JPET people looking, and saying, 'What do we learn from this in a broad facts sense?' The reviewers, in talking to me, had a view that when we tender for physical assets we seem to have a very standard methodology and it works across the portfolio. When we tender for human services, we do not seem to have the same standard of process. I have assembled, under Glenys Beauchamp's leadership, a significant task force within the department right now—it will not last for long—which will ensure that it draws the expertise from our legal areas, our program people, our state and territory network officers and people right across our department who are coming to grips in understanding and seeing how we need to respond to the issues raised in this particular tender. As you say, JPET is significant: \$18.4 million of expenditure in a year is a lot of money. In a portfolio which expends \$60 billion, you can say, 'Well, it's a minor amount of money.'

Senator MARK BISHOP—DVA would say that.

Mr Sullivan—But it is very important.

Senator MARK BISHOP—I understand. Perhaps you can take this final question on notice. You might be able to provide the information now. Can you provide the committee with details of the costs involved in the cancelled tender, the review, the proposed consultation process, and any amounts involved in regard to the extension of funding to existing providers. Can you provide a detailed breakdown of costs already incurred and those likely to flow from repeating the whole exercise.

Mr Sullivan—I will look at the question afterwards in terms of the gaps I leave. In terms of the review, it cost us \$70,000 to run—that was, roughly, \$43,000 for the external consultant, \$12,000 in departmental salary costs and \$14,500 or so in the costs of consultation with the sector that the review team conducted.

We believe the process that we have now discontinued cost us \$98,000, or roughly \$100,000, to have concluded, and that does not include staffing costs, in that our staffing allocation models do not go down too well—how much of people's time was spent on that process. That \$100,000 was concerned with travel, contractors, IT systems, all the sorts of things, documentation, that go with it. I have committed at the moment about \$50,000 to establish this task force for a month to review what is going on, what has happened and provide our response to the findings.

Senator MARK BISHOP—Finally on this issue, Mr Sullivan, that statement you made on the record earlier—I think you were reading from a prepared statement. Would you be able to make a copy of that available to me, otherwise we will have to wait a couple of days to get the *Hansard*.

Mr Sullivan—I am happy to be led by the chair as to whether I give you my copy or whether I table what I said.

CHAIR—I think the tabling is quite adequate, Mr Sullivan.

Mr Sullivan—And that way I think you can get a copy.

Senator MARK BISHOP—Yes, that is fine. Can we turn now to the transition to independent living allowance, TILA. On what date will TILA commence?

Ms Rushton—We are currently negotiating with the state governments as a steering committee and the money was expected to flow in this financial year, so very soon, in March, probably the end of March.

Senator MARK BISHOP—And when will full details of the program be released?

Ms Rushton—The program, as you put it, was announced a couple of budgets ago, and the details have been talked about on a number of occasions.

Senator MARK BISHOP—You have no plans to release further information?

Ms Rushton—Further information would come from the non-government agencies who will be contracted to provide that assistance to young people. In the area of need, the aftercare service would be explained to the young person, that they could give them some further help to pay an electricity bill or get established in independent living.

Senator MARK BISHOP—No, sorry, I wasn't being specific enough. You are right to say that the details of the proposed program were released some time ago. My question is will the department or the government be adding anything on the public record concerning the details of the program that are not currently available?

Ms Rushton—I do not have prepared plans for doing that, but that would be in consultation with Minister Anthony. We may do some further information but, no, there is not a plan to do that.

Senator MARK BISHOP—A sum of \$897,000 was allocated for this measure to be spent on payments.

Ms Rushton—That is for this financial year.

Senator MARK BISHOP—None of that has been spent as yet?

Ms Rushton—No. The original plan was that it would begin to flow in about March this year, which is next month.

Senator MARK BISHOP—I see. So that is possibly on time.

Ms Rushton—I hope so.

Senator MARK BISHOP—How much of that figure of \$897,000 is for administration?

Ms Rushton—None of it is for administration.

Senator MARK BISHOP—How will potential recipients of the payment be located and informed?

Ms Rushton—We are working with all state and territory jurisdictions in a steering committee. They have primary responsibility for young people leaving out-of-home care and they are helping us to identify non-government agencies, aftercare agencies, who are working with these young people. Then they will be contracted to provide the services to the young people. They already have an ongoing relationship and other sources of funding for this purpose.

Senator MARK BISHOP—Can you just explain to me briefly what this out-of-home care is?

Ms Rushton—Some young people are unable to live with their parents so they would be placed under orders of various kinds by state jurisdictions for their care and protection. They may be in foster care or they may be in some other situation. When they leave that care, their transition into independent adult life is precarious. This payment was introduced as a way of

assisting those young people, together with the efforts the state jurisdictions should rightly be making, to make a successful transition. This is to everyone's benefit.

Senator MARK BISHOP—How much is the individual payment? Is it variable?

Ms Rushton—Young people would not receive a cheque. The allocation of resources has been done in consultation with the state jurisdictions and our guidelines are that what would be spent on any particular young person would be up to \$1000, so a particular needy young person in Sydney, for instance, may have \$900 spent on part of a bond for a flat and a bit of a fridge or something like that, whereas in a different part of the countryside that has cheaper accommodation there may be a lesser amount spent on them. The idea is to spend what it takes up to \$1000 to try and secure the transition in physical terms.

Senator MARK BISHOP—Is that money to be paid to the individual boy or girl, or is it paid to the provider of the service upon the receipt?

Ms Rushton—The money would be managed by the provider of the service. It is very similar to reconnect brokerage funds, where the service provider can buy things for the family or the young person to assist that family to stay together, which is the aim of Reconnect. It would be mostly a purchase made by the service provider for the young person. We want to limit the amount of cash—

Senator MARK BISHOP—Let's say I am a young boy of 16 or 17 coming out of hostel living or foster care, whatever it is, and I take on obligations to rent a property and there is a bond of \$700 that has to be paid. Do I pay that and get a receipt or does the relevant agency in my state pay that direct to the landlord?

Ms Rushton—I do not have that level of detail. Why we want to do this through non-government agencies who have experience in aftercare is that this group of young people are one of the most vulnerable groups, so we would be purchasing the expertise and judgment of that non-government agency worker to see what would be the best thing for that young person. If it is better that they pay the bond direct for them, because you know it is going to get paid, and that just gives them a little push into being responsible, let them do that. If the worker made a judgment that it was better for the young person to say, 'Here you are, mate. This is the deposit. You go and pay it and come back and show you've done it', then we do it like that. It is about assisting young people to become independent—all the kinds of things that you as a parent might do.

Senator MARK BISHOP—You made reference to the fact that this is going to be administered at the state levels by various non-government agencies, presumably the traditional welfare and church agencies involved in the youth field.

Ms Rushton—We are working with the state jurisdictions as a steering committee to identify the non-government organisations—and there will be a range of those—who are best positioned to do this work well, because they are the ones who have the relationships with young people.

Senator MARK BISHOP—So you will take advice from the state reps. That really is what you are saying?

Ms Rushton—Yes, as a steering committee would.

Senator MARK BISHOP—Do you plan to have any appeal and dispute avenues available for recipients of the payment?

Ms Rushton—Not beyond the normal problem-solving arrangements that there would be with other programs, such as Reconnect or JPET for clients. This is not a social security benefit; it is a payment to organisations to assist them to help these young people.

Senator MARK BISHOP—Understood. Will the payment be indexed to inflation? No, it is up to a thousand dollars, so that answers that question. Do you know how many young Australians access SAAP services during the financial year 2001-02?

Ms Rushton—I do not have that at my fingertips but I can certainly take it on notice and ask the relevant person.

Senator MARK BISHOP—Does the department have any other programs, or ways of assessing the number of homeless young people living in Australia?

Senator Vanstone—There are numerous surveys done each year and there is usually an argument over them in the sense that they do not always make it abundantly clear in the reporting of the surveys—I am sure the surveys themselves make it clear—whether they are talking about homeless as in no place to sleep, like being under a bridge or wherever, versus homeless in the sense that you have no permanent residence but you are travelling around between friends or family and that sort of thing. But we can get you the most current information available.

Senator MARK BISHOP—If you could perhaps give us a potted summary, Ms Smart, of how you determine the number of homeless young people living in Australia and then provide a fuller answer on notice.

Ms Smart—There are a number of methodologies in use to measure the level of homelessness, both among young people and in the broader population. The details of those methodologies I would have to provide on notice; I do not have those with me. But there is contention, particularly in the academic sphere, about the veracity of each of those methodologies. We have information in relation to young people who access SAAP services—the Supported Accommodation Assistance Program—which is a joint program with the states and territories and 36 per cent of SAAP clients are under the age of 25. There is an issue about the identification of what you call ‘homeless’ because there is, as I said, the academic issue about identifying at different levels, homelessness in terms of primary, secondary and tertiary. There is the notion of young people who are what is called ‘sofa surfing’. They are moving from one place to another.

Senator Vanstone—I suspect the title makes it sound much more attractive than it really is.

Ms Smart—I cannot see in the papers the exact figure for young people. However, the total number of SAAP clients in 2001-02 was 95,600 and around 36 per cent of those were under the age of 25.

Senator MARK BISHOP—You might consider the question on notice when the *Hansard* is available, Ms Smart, and provide the committee with a response then. That concludes TILA. I now want to turn to some allegations we have received concerning unauthorised access of Child Support Agency files. I refer the committee to the State of the Service report 2001-02 at page 29 which states:

In all, agencies reported 20 cases where an investigation identified an employee as the source of a leak. The outcome of nine cases was termination of employment.

Were eight of the cases of termination of employment for leaking reported by the Public Service Commissioner's statement in the service report from the Child Support Agency? Can you confirm that?

Ms Argall—I think there was a misunderstanding about what the term 'leaking' was in relation to the information contained in the service report in relation to the Child Support Agency. It is in relation to allegations by members of the public about unauthorised access to child support records. Given the nature of our operation it is very important that parents know that their child support records, their personal information, is kept strictly private and therefore it is an obligation on us to treat any allegation of inappropriate access very seriously. When we receive allegations of inappropriate access we refer them to the fraud investigation unit of the Australian Taxation Office—who provides this service for the Child Support Agency—and all cases are investigated. So in the period that you are referring to there were allegations that were found to be proven—many allegations of course are found to be not proven—and eight staff were dismissed as a consequence of proven allegations of inappropriate access.

Senator MARK BISHOP—So eight staff were dismissed for proven allegations of inappropriate access to files. Is that right?

Ms Argall—That is correct.

Senator MARK BISHOP—They were not sacked for leaking, they were sacked for inappropriate access.

Ms Argall—That is correct.

Senator MARK BISHOP—Were they accessing their own files, files of friends, or were they doing it for payment for organisations like private detective agencies?

Ms Argall—It would be more likely to have been their own information, or information on behalf of friends. I am not personally aware of, but would not discount, the other circumstance that you raised.

Senator MARK BISHOP—What is wrong with accessing your own file? You would know the detail of your own file, would you not? Why would you do that?

Ms Argall—It is not your own file. In a child support case, of course, there are two parties involved in a case. One is the resident parent and one is the carer parent. Therefore a file contains information in relation to both parents. It is inappropriate for any staff member to access their own file. We require staff, in joining the agency, to declare a potential conflict of interest in relation to a child support case. Their case will then become restricted access. They will not be able to access their own case because it will be only available for accessing, or should only be available to access by an appropriate qualified officer.

Senator MARK BISHOP—So you said most likely themselves or files of friends. But you did not discount accessing files for the purpose of commercial gain.

Ms Argall—I just want to be totally open. I do not see all of the cases myself. In the cases I have seen it is more often than not doing a favour for a friend or, alternatively, maybe even accessing information of particular individuals of interest. It may not be a friend.

Senator MARK BISHOP—Celebrities?

Ms Argall—That can happen.

Senator MARK BISHOP—Has that happened?

Ms Argall—It has in the past, yes.

Senator MARK BISHOP—In the period we are talking about?

Ms Argall—Again, I cannot confirm that because I do not see personally all of the cases.

Senator MARK BISHOP—All right. Were these eight terminations all in one state?

Ms Argall—No.

Senator MARK BISHOP—All states?

Ms Argall—I do not have a breakdown of the states, but it would be across Australia, yes.

Senator MARK BISHOP—All right, thank you. Can you just take on notice and provide the state break-up of each of the persons dismissed. Can you also have your officers review the files and advise us the number, if any, and the state where the unauthorised accessing which occurred was for the purposes of financial gain.

Ms Argall—Certainly.

Senator MARK BISHOP—Can we turn now to the Family Law Pathways Advisory Group's final report *Out of the Maze* and have a brief discussion about that? The *Out of the Maze* report was delivered to the government around about July 2001. Can we get an update on where government consideration of those recommendations is?

Mr Carmichael—As you aware, it has been under active consideration. There has been a task force working on it and there has been a range of advice that has now been provided to government. It is now before government for their consideration.

Senator MARK BISHOP—When did the recommendations of that task force go to government?

Mr Carmichael—They are in the process of going to government as we speak. A cabinet submission has been developed through a task force, consultation is occurring on that advice now and the date set for it to go to cabinet some time in February.

Senator MARK BISHOP—In terms of the policy development that is almost resolved then?

Mr Carmichael—It will be for government to decide.

Mr Kalisch—As with most processes, they do not necessarily start and finish at the one time.

Senator MARK BISHOP—You have had the report; you have had a departmental committee or a task force look at it. That has concluded its integrations?

Mr Carmichael—It is a whole-of-government task force. It is an integrative process. They have provided some advice and they are getting advice back from government. They are considering a range of options and that is going forward.

Senator MARK BISHOP—It was an IDC set-up, was it?

Mr Carmichael—Yes.

Senator MARK BISHOP—Who was in charge of that? Who chaired that?

Mr Carmichael—Prime Minister and Cabinet chaired the task force.

Senator MARK BISHOP—When did it first meet?

Mr Carmichael—The task force was established in December 2001.

Senator MARK BISHOP—Has the task force now concluded its meetings and its processes? Are they part of the preparation of submission for cabinet consideration?

Mr Carmichael—At this stage it is an ongoing task force. As you would probably be aware, there is a very complex range of issues it is dealing with. There are budget considerations as part of that process, so there is a range of processes moving forward through this period.

Mr Kalisch—The task force itself has not been formally concluded and it is really just awaiting next steps.

Senator MARK BISHOP—One of the things the task force looked at was recommendation 25:

That a review of all current legislation which relates to the family law system, including the Family Law Act, the Child Support Act and the Social Security Act, be undertaken to identify amendments required to achieve consistency in their operation

Did the task force comply with that recommendation?

Mr Carmichael—It has considered that recommendation and has provided a range of advice around those issues.

Senator MARK BISHOP—That is probably as far as you can go. Did either the agency or the task force examine overseas legislation including those jurisdictions where, for child support purposes, joint custody fifty-fifty is assumed? Did you look at any of the American states?

Mr Carmichael—There has been a lot of research and there are a lot of advisory mechanisms outside the task force as well. The Attorney-General has a range of high-level advisory bodies that he also seeks advice from. Some of these matters have been referred to those other advisory bodies.

Senator MARK BISHOP—I am raising joint custody. Is that a matter for A-G and not the CAS?

Mr Kalisch—It is probably a matter for a range of agencies, Senator. It is a matter that concerns us and it is a matter that certainly concerns the Attorney's department.

Senator MARK BISHOP—Did your agency do any research or any work in that area?

Mr Carmichael—Our expertise is not in that area specifically, so advice was sought elsewhere around those matters.

Senator MARK BISHOP—Was it sought from other government departments or was that work contracted out?

Mr Kalisch—It might be best if we take that on notice. Both Mr Carmichael and I are relatively new to this area and there may well have been some research undertaken in the preparation of the Family Law Pathways report.

Senator MARK BISHOP—The question is: did your agency or any other agency do direct research, consult or let out consultancies to examine the impact of overseas legislation concerning joint custody of children? That would be a radical change in this country, wouldn't it, if we went down the path of fifty-fifty joint custody?

Mr Kalisch—It is becoming much more common. There is not such a thing as 'off the record' comments here but in the field it is becoming much more common around shared custody arrangements on a fifty-fifty basis.

Senator MARK BISHOP—But it would be different to my understanding of the current law where usually the woman gets major custody, doesn't she?

Mr Kalisch—It is different to the community perceptions, I think. That is probably as far as I am qualified to go.

Senator Vanstone—Even if joint custody does not mean you have the kids 50 per cent of the time, it means you have joint legal responsibility. There are some finer points as to the difference between that and what we now have. I am told, without having seen this in an academic paper, that in some states in the United States that have moved to more joint custody, the divorce rate has been lowered. Apparently one party says, ‘Oh well, if I have to be engaged with the other party to this degree anyway, it’s really not worth it. I sort of can’t cut the cord and get rid of him or her, so we may as well stay together.’ I do not know if that is true but apparently that is the suggestion.

Mr Kalisch—To clarify that point, Senator, we suggest that if you do want to get information on that you approach the Attorney-General’s department.

Senator MARK BISHOP—Ms Casey, could you provide to the committee an outline of the time lines and activities to date of the broadband redevelopment.

Ms Casey—Yes, Senator. The minister announced the broadband redevelopment in his response to the Child Care Advisory Council’s report in September of last year. A consultant was engaged to work with us through that process. That consultant is Community Link Australia. They held what was called an establishments forum. That was held on 10 December. All of the community, all the child-care peak bodies, were invited to consult with the consultant on the process that would be adopted for the redevelopment process. That was very successful and the consultants took the feedback into account.

We will now be moving into what is called a widespread consultative phase. That begins late in February and goes through till the end of April, and will be held across Australia. Then we will move into what is called a deliberative forum, and a report will be provided to the minister through the task force that was established, probably in mid to late June.

Senator MARK BISHOP—You had the consultant meeting in early December. What was the purpose of that meeting again?

Ms Casey—That was called an establishments forum. The purpose was to give the sector further information about the child-care broadband, because many in the sector had not been aware of where they got their funds from and what made up the child-care broadband. They get funding from different aspects of it. It was also to talk to them about the process that the consultants would go through and the different avenues that they were setting up where the sector could give feedback. Not only will there be widespread consultations across Australia, there will also be online feedback forums and the opportunity for the sector to submit submissions to the consultants.

Senator MARK BISHOP—That is the work that is starting in February?

Ms Casey—That has already started. The consultants have set up a communications register with the sector, where they will work with the consultants to ensure that as many people as possible are aware of the different mechanisms by which they can give feedback, but the widespread face-to-face consultations start at the end of February. We will also be consulting with the state and territory governments prior to the national consultations.

Senator MARK BISHOP—Is that consultation work being done by an individual, a committee or what?

Ms Casey—Community Link Australia were the consultants that won the tender, and they have been engaged to work with us on the consultations.

Senator MARK BISHOP—They will do all the consulting with the community and state governments post-February?

Ms Casey—That is correct.

Senator MARK BISHOP—Is it the department's intention that stakeholders involved in the redevelopment process will be asked to identify which programs should lose funding and which should gain extra funding? Is that part of the terms of reference?

Ms Casey—No, the objective of the redevelopment is to identify the areas of highest need and how we can more effectively use the funds that are available, both currently and in the future, to target outcomes for families and children. The idea is not to look at dollars, but to look at where efficiencies can be made, where the priorities are and how we can more effectively support child-care services.

Senator MARK BISHOP—Would you expect the consultants to come up with a list of priorities based on need for allocation of funding in the future?

Ms Casey—They will be taking the feedback and working with us to provide information to the task force on where the sector believes efficiencies could be made and where areas of high priority need not be met.

Senator MARK BISHOP—How much has been spent on the broadband redevelopment process?

Ms Casey—I do not have that information available at the moment, but if you can give me a few minutes I might be able to get it for you.

Senator MARK BISHOP—All right; the total cost, the funds allocated for the consultancy firm and the payment times for the consultancy firm. Do you know how many hours have been spent so far on consultation preparation?

Ms Casey—For the consultants?

Senator MARK BISHOP—Yes.

Ms Casey—That would have been part of their proposal, but they have put in a number of hours working with us. They put in a proposal for the hours that they would anticipate working with the sector through the consultations and preparing their reports, but I cannot give you that figure offhand. We have only just commenced the process with the consultants. They did the establishments forum in December, and there has been a bit of preparatory work for the consultations that are about to happen and a resource booklet for the child-care sector to have available prior to the consultations. Do you require the actual hours that they have put in?

Senator MARK BISHOP—I do not want you to go to a lot of work. If the number of hours spent on consultations and preparations to date is readily available, get the information; if not, no.

Mr Kalisch—Perhaps it is more important to try and unpick the very information you are trying to understand. If I can perhaps try and interpret that question, it is to what extent does Community Link understand the broadband and to what extent does the sector have confidence in Community Link as an organisation undertaking the process. Our experience to date has been very positive on both of those aspects. We have been quite impressed by the extent to which Community Link has grasped a fairly strong understanding of the child-care broadband and the child-care system. They have also proved, within at least the people that were involved in the establishment forum—people across the child-care sector who were involved in the child-care reference group, plus a few others—a very strong rapport, and we

have received some very positive feedback from people across the child-care sector about Community Link, about the veracity of the process and about their understanding that this will be a fair dinkum consultative process.

Senator MARK BISHOP—I was not being critical of that particularly.

Mr Kalisch—No, you were trying to understand it perhaps, and we can give you that feedback.

Senator MARK BISHOP—Do you have a committee called Expert Advisory Committee on Child Care? Does such a committee exist?

Mr Popple—No, I do not believe so, but I think I understand where you are getting that term from. Is that from a recent press article?

Senator MARK BISHOP—Yes.

Mr Popple—There is no committee by that name. I think the journalist was referring to a workshop which is going to take place in the next month or so to discuss aspects of child care.

Mr Kalisch—It might be a case of ‘Don’t always believe what you read in the newspapers’!

Senator MARK BISHOP—I thought I saw the press article, but I do not have it here. There is no committee entitled Expert Advisory Committee on Child Care, but there was a workshop recently conducted by the agency on child care?

Mr Popple—There is a workshop which is planned in the next month or so.

Senator MARK BISHOP—Is there a committee that is running that or an officer or what?

Mr Popple—I am running it.

Senator MARK BISHOP—Who are you taking advice from?

Mr Popple—It is not a committee, Senator. Minister Anthony has asked for a workshop to discuss aspects of child care—the benefits or negative aspects of non-parental care—and that closed workshop is taking place, with a number of academic experts and commentators, within the next month.

Senator MARK BISHOP—You will be inviting these experts and commentators to come and make a contribution?

Mr Popple—That is right, on behalf of Minister Anthony.

Senator MARK BISHOP—Have you determined that list yet?

Mr Popple—We are still finalising the list at the moment.

Senator MARK BISHOP—Is it appropriate for you to tell me who has been chosen to go on that list?

Mr Popple—Probably not. I would rather that the minister announced that.

Senator MARK BISHOP—When is he going to make that announcement?

Mr Kalisch—That is up to him, but it will certainly be before the workshop happens!

Senator MOORE—I have a few questions on child care. I know that a significant number of questions about numbers have been submitted on notice, so these are some follow-up matters. We are seeking the current terms of reference and the range of activities of the Child Care Reference Group.

Mr Popple—The Child Care Reference Group is a group which has been set up by Minister Anthony to advise him on aspects of child care. The group consists of two representatives from each of the peak child-care organisations. It is currently scheduled to meet about four times a year to discuss a range of issues. At the last meeting, we discussed Indigenous child-care issues and we have another meeting coming up in the next month or so.

Senator MOORE—Are there any set terms of reference, or does it just form and meet on issues as required four times a year?

Mr Popple—There are set terms of reference, yes.

Senator MOORE—Can we get a copy of those?

Mr Popple—Yes, Senator.

Senator MOORE—One of the things that has been talked about is the particular needs of the range birth to two-year-olds. It comes up everywhere we go that there is a particular need in that area. We are seeing whether there is any discussion or consideration of differential rates of child-care benefit for that age group to help servicing.

Mr Popple—It is not an issue which has been directly discussed by the Child Care Reference Group, no.

Senator MOORE—It is not an issue of discussion? It has not been at that group, but it doesn't come up in any other discussions?

Mr Popple—More generally, it is a matter which we discuss in the department from time to time. It would form part of advice provided to government.

Senator MOORE—We know that there was in May 2002 a child-care census; we were told that that had occurred. What we are waiting for now is the results of that census. Is there any time proposal for when that will be completed and the information made public?

Mr Popple—It is an ongoing process. The analysis is continuing at the moment. We have some preliminary data on the census which appeared in the annual report last year and in the Commonwealth report on government services. We are hoping to finalise the analysis of the data by about June-July this year. The bulk of it has been completed. As you appreciate, it is a very large process. There are about 10,000 services involved, so there is a lot of validation done around the questions which have been asked.

Mr Kalisch—Mr Popple referred to the government report on government services. This is the one that was just released by the Productivity Commission last week.

Senator MOORE—Friday last week.

Mr Kalisch—There is quite a range of information in there that draws very extensively on that child-care census. You will find a wealth of information there.

Senator MOORE—Is the analysis and the further exposition of what is in that census being done within the department or is it being done by consultants outside?

Mr Popple—Within the department.

Senator MOORE—And, as you keep doing the analysis, more will appear in different ways?

Mr Popple—That is right.

Senator MOORE—We had a lot of discussion at the last estimates about the issue of unmet need, and we will again. In terms of plans to allocate more or new places in family day

care and outside school hours care for the rest of the financial year, are there plans for more places or changes in places now, following up on the discussions over the last 12 months?

Ms Casey—As I mentioned at the last estimates, we have been going through a process, with the cooperation of the Family Day Care Association—the national association—to encourage family day care schemes which have unutilised places to return those to us so that we can move them out to areas where the greatest demand is. We have been able to allocate, since June 2001, 2,206 family day care places out to areas of high need. This has mainly been in Victoria, where there were 1,384 places allocated; New South Wales, 284; and the ACT, 210.

Senator MOORE—Ms Casey, I am not very strong on maths. Does that do the whole project?

Ms Casey—No, sorry. We have reallocated to New South Wales, Victoria, Queensland, Western Australia, Tasmania and the ACT the places that have been made available to us. We are aware that there is still an unmet demand out there. Unfortunately, the schemes have not been as quick to return the places to us as we had anticipated. We do know from our data that there are enough places out there that are unutilised to meet the demand for family day care places.

Senator MOORE—We are interested in the numbers of reallocated places and we would like to find out if we can get in writing the information you have just given us and if we can have that formalised for family day care. Does home child-care come under that scheme as well—the potential for reallocation?

Ms Casey—I can give you a table now that shows you the reallocation of the family day care places.

Senator MOORE—How about outside school hours care, broken down into after school, before school and vacation care?

Ms Casey—I cannot give you the breakdown of that, but I can give you the breakdown by state of where they have been reallocated, for all outside school hours care places. The news there has been good: we have been able to reallocate 4,672 places since the last estimate.

Senator JACINTA COLLINS—Are you reallocating across type of care?

Ms Casey—Across type of care? With the outside school hours care?

Senator JACINTA COLLINS—Yes.

Ms Casey—Yes, we allocated in the last school holidays 1,600, I think it was, places to vacation care, where there was a high need.

Senator JACINTA COLLINS—In terms of the allocation of places in that program, I am struggling to understand how you can be allocating places for completely different types of services. Vacation care is a completely different service to before or after school care, and now I am even further confused if you are swapping after school care places into vacation care places and then perhaps back into before or after school care places.

Senator MOORE—Could one place move three times like that?

Ms Casey—It can move. Outside school hours care is grouped into three key areas: before school, after school and vacation care. We can move places between before and after school hours care quite easily, and then into vacation care.

Mr Kalisch—It is probably fair to have that understanding that it is not separately targeted, that they are grouped together, so we do have that funding flexibility. Generally, families will use one, two or three of those services.

Senator JACINTA COLLINS—I do not want to take up the committee's time going into the minutiae of that, but I do not understand it at the moment. You are probably aware that there is a question that I have on the Senate *Notice Paper* to try and understand that. Would it be possible to arrange an informal briefing on that issue?

Mr Kalisch—I think that would be a good idea.

Senator MOORE—Ms Casey, with the details we would like to get on those figures in terms of the reallocation, we would like to find out where they came from as well. You said that they were reallocated within all the states, but we would like to know where the need was overserved or there were vacancies, and where that came from and where it went.

Ms Casey—We have that information available, and that is determined by our planning advisory committees. They advise us on where the areas of highest demand are and then we reallocate according to that.

Senator MOORE—What kinds of things are taken into account in terms of demand and reallocations if an area does have some vacancies and you are encouraging—and I would like to follow through on how you encourage—places to go from one place to another? I do not want to name any, because as soon as I name a state or a location, it will be dangerous. If there is some space there and you are encouraging someone to move it over there, what kinds of things do you take into account in terms of the crisis of demand?

Ms Casey—The planning advisory committees take into account a number of pieces of demographic as well as qualitative information that they pool together, to look at the work force demand for families, the supply and demand in that area, whether there are other services available around that families might need to drive a little bit further to, particularly in rural and regional areas where there are not as many services available. I think Queensland is an area of high demand in that area where they do not have a number of other services available. The planning advisory committees take in a whole range of data in looking at where the areas of highest need are.

Mr Kalisch—The understanding I have around particularly family day care is that there is an acceptance that those unused places and unused hours will be able to be shifted, so the relinquishing family day care arrangements are quite comfortable with those hours being offered up to another area. So they must have, I presume, an ongoing excess supply of places.

Ms Casey—The other issue is, particularly in family day care, that they must be able to demonstrate that they have the carers available, because we have run into situations with family day care where they have had a demand for child care, but we can give them the places and they cannot use them. When we work with the schemes, we need to know that they have carers available.

Senator JACINTA COLLINS—Is that not one of the most significant issues in terms of reallocations, the shortage of trained personnel?

Ms Casey—For family day care, if we are talking about reallocation of places and the demand, that is a significant issue which the family day care peaks are looking at, how they can get more carers and encourage them to come into the schemes. I think with the outside school hours care there are different parameters that come into play there, because a service would be set up with carers before they applied for the places.

Senator JACINTA COLLINS—Let me give you one example which you might need to take on notice, and I am not mentioning a particular service here but, rather, a locality, just because of my own familiarity. The City of Casey in Victoria is the largest municipality in Australia in terms of growth in the number of children. I used to live there. There are 30 outside school hours care places that have been taken away. According to information provided to a question on notice from Senator Faulkner, there are 40 reallocated within that municipality. That just seems to be shuffling around the deck, rather than dealing with unmet demand. There are other cases similar which are just direct swaps, 60 to 60.

Mr Kalisch—I am not sure how familiar you are with that municipality. I am not at all, Senator, but whether it is a large municipality and whether there are transport routes and other things that make it more convenient for parents to go to one place in a municipality rather than a far-flung corner—

Senator JACINTA COLLINS—There is a mixture of factors. There are also issues such as closing down of council operated child-care centres, and whether schools continue with before and after school hours care, although I have not heard of one discontinuing a care service in a very long time. It would be interesting to understand why the surplus was available to be reallocated, and just this data on its own does not really give us a picture, whether it relates to limitation in staffing, closure of facilities or whether it relates to just limited demand.

Mr Kalisch—Given that we will not have that information to hand, we will take that on notice and see what we can provide to you.

Senator JACINTA COLLINS—Yes, I appreciate that you would, but I thought I would flesh out one or two examples. Perhaps I could give my own current area as another example, which is the federal seat of Chisholm—I think that was the straight 30 for 30 swap. Again, Chisholm now is a fairly high growth area for children, and particularly junior school aged children. There is no net gain—sorry, let me have a look at Chisholm gain. There might have been a net gain there.

Ms Casey—There is an interesting situation in Victoria that happened with the reallocation and it is probably an example of what often happens with demand, where we had places available for reallocation that went out to the services, and many of the Victorian services who had demand requests in for places when we offered them places said, ‘We don’t need them any more.’ So services will actually tend to overestimate their demand to get places, and whilst there is still demand being requested in some areas, in Victoria we seem to have overall met the demand for outside school hours care places with the reallocation.

Senator JACINTA COLLINS—This is where I am curious about the methodology for determining demand. It is one thing to say that you rely on—what was the name of the group again?

Ms Casey—The planning advisory committees.

Senator JACINTA COLLINS—The planning advisory committees. I would be interested in their composition and their methodology for dealing with questions of demand.

Ms Casey—We have provided that information in the past on a question on notice, the make-up of the committees and their terms of reference.

Senator JACINTA COLLINS—I will go back and have a look at that.

Ms Casey—If that is not sufficient information, you could ask us for further information, but that was a question that we took last Senate estimates.

Senator JACINTA COLLINS—Further to last Senate estimates, the question that I have been trying to explore further, particularly in relation to outside school hours care, is what is the break-up of that demand to the different types of care, and how is that estimated. I have not, through less formal inquiries, been able to get anywhere in terms of how it is estimated. ‘It just is the estimate’ is the response I get so far.

Ms Casey—State and territory officers go out twice a year to do utilisation surveys, and they have questionnaires that go out to all the service types and they submit their current supply-demand information to us. Then we do the analysis of that and that analysis goes to the planning advisory committees. That is where a service would actually submit to us that they currently had X number of places and they had a demand for Y number of places. One of the issues that is of concern to us, though, is that, whilst there are no regulations or licensing in place in some states and territories, we need to monitor how many places we would actually allocate to a service.

We have had cases of after school hours care services that may have 70 or 80 places asking for another 60, and you have to question the quality of care that those children would be receiving. That is a particularly difficult issue for us in the states and territories that have no licensing requirements, whereas in the ACT, where licensing is in place, we are able to know that there is a limit on the number of places that we would be able to allocate to a scheme because of the licensing requirements.

Senator JACINTA COLLINS—Maybe I can cut through some of this and just ask this question directly, and you will obviously have to take it on notice. I was told that for Victoria the level of unmet demand for vacation care was 1,750 places, and this is part of the question that I have on notice for you. Can it be explained to me how that figure was arrived at?

Ms Casey—No, I would have to take that on notice. My figures are just for the total outside school hours care demand in Victoria.

Senator JACINTA COLLINS—And in terms of other responses that have been given to other questions to date, we have not had a breakdown of the three types of outside school hours care, which is now being requested and was part of my question on notice in the Senate as well. But this notion that you can swap between types of care adds a new complexity to that data. I suppose I will leave you with the challenge to provide that to us in some comprehensible way so that we can be assured that, when the minister is making assurance that vacation care places are being offered, he is not double-counting allocated places.

Ms Casey—Yes, I can give you a breakdown of how we allocate the swap between services and the basis on which that happens.

Senator JACINTA COLLINS—Thank you.

Senator MOORE—With the reallocation, how do you define the word ‘encourage’? You told us last time that you encourage places to share.

Ms Casey—Since early 2001, when we identified there was a need particularly in family day care at that time, we met with the National Family Day Care Association and we were able to provide them with data which identified the unutilised places. We have been working very closely with them. They have put articles in their newsletters. They have sent out special letters to all their schemes, seeking them to return places to us. Our state and territory offices have also been proactively ringing schemes to ask them to hand back places. That has been the process we have gone through to try and recoup places out there.

Senator JACINTA COLLINS—Let me see if I can understand this component of it: my own centre is accredited for up to, I think, 80 children—

Ms Casey—Sorry, can I just clarify if it is a family day care scheme or—

Senator JACINTA COLLINS—No, this is long day care. But I am still trying to understand how these areas of unallocated places have been in the system and why they have continued on as they have and now, with the funding cap, obviously then there are other problems associated with it. Again, my centre has structured itself in terms of how it meets the care guidelines, so that it will only ever have a maximum of, let us say, 75 places. They have structured their rooms so that there are 15, 10 children, et cetera. If this is an example of what we are talking about in terms of allocated places that have never been utilised, could it be that there are places that have been sitting in the system where five places have just sat idle for many years under those types of circumstances?

Ms Casey—Senator, what you are talking about is a long day care centre where the allocation of places is based on the state and territory governments' licensing requirements. The government has uncapped places for long day care, so we do not actually allocate any places for long day care.

Senator JACINTA COLLINS—There is no capping issue in relation to long day care?

Ms Casey—There is no capping. Those requirements and the break-up that they do through the various age groups is based on the licensing requirements in Victoria.

Senator JACINTA COLLINS—Yes. It is not going to be an issue for either family day care or outside school care?

Ms Casey—It is in some states for family day care and in the ACT where OSH services are licensed now. That was my previous comment; that the OSH services in ACT not only need to comply—or they will need to comply—with our quality requirements from 1 July this year but they also need to meet the state government licensing requirements which restricts the number of children that are available in that service in that building.

Mr Kalisch—I suppose the crux of the question really goes to the point that if a centre has five places that it is never going to use then there is little point in keeping them.

Senator JACINTA COLLINS—Yes. But I am just trying to comprehend how long they have been in their arrangements.

Senator MOORE—Yes, how long they sit there.

Senator JACINTA COLLINS—Yes. Has this been a systemic issue where these places have been sitting idle for other planning purposes or, as we have already discussed, lack of qualified workers for some time, or is this a more recent development?

Mr Kalisch—The other context is that there has been considerable growth in both family day care places and outside school hours care.

Senator JACINTA COLLINS—Yes.

Mr Kalisch—Certainly in family day care the numbers I have are that there has been an increase in places of over 10,000 since 1996—that is 10,000 off a base of 60,100—so it is a 17 per cent increase. In outside of school hours care places the availability of places over that same period has increased by 72,000, or 221 per cent. It is, I think, becoming certainly more pertinent now since CCB was introduced with greater affordability of child care that we have seen an increased demand for usage for subsidised child care places. Some of the excess supply in the system around that time is now starting to be soaked up and it is becoming much more tricky for us to manage those places. The very issues that Ms Casey mentioned, around reapportioning places across different geographic areas, is becoming more pressing.

Senator MOORE—Has there been any consideration of legislating the allocation so that instead of encouraging centres to change it is actually a requirement under the act that places be reallocated?

Mr Kalisch—That is under consideration with family day care.

Senator MOORE—I am sure it comes up in discussions.

Senator JACINTA COLLINS—Use them or lose them?

Senator MOORE—One of the areas that people talk about—and we have talked about it before—is the outside school hours services and great demand, particularly now that school has gone back. Is the department looking at options for supporting the expansion or establishment of this particular form of care, particularly for after school care?

Mr Kalisch—Yes.

Senator MOORE—Are there policy papers being developed involving various working groups and expert groups that you have?

Mr Kalisch—It is probably fair to say that advice has gone to government on that aspect.

Senator MOORE—We will wait and see what becomes public. We talked about operational subsidies here last time. I want to find out whether the department has done any further work to analyse the impact of removing operational subsidies from family day care.

Ms Casey—The department is not doing any specific work on the actual removal of operational subsidy. However, operational subsidy is paid through the child-care broadband and all programs—I stress all programs—that are funded through the child-care broadband will be reviewed and looked at through the redevelopment process, but there is no individual singling out of operational subsidy. It will be part of the review—

Senator MOORE—Part of the whole review.

Ms Casey—And we will be seeking views from the sector on that, but no decisions have been made.

Senator MOORE—Ms Casey, my question asks for a copy of a presentation made by Dawn Casey—I presume that is you—to the family day care sector. You made a presentation to the group talking about existing allocations and the fact that allegedly, if you were to use them, there would not be unmet demand. Can we get a copy of that paper; is that now available?

Ms Casey—That is publicly available, yes.

Senator MOORE—Would that paper go into the basis of the information and stats you used in preparing it?

Ms Casey—Yes. That was a speech I gave at the family day care conference in Sydney. It was one of the methods we used to encourage the services to return their places to us, for me to say to them, ‘There are enough places out there and if you hand them back we can actually meet your demand.’

Senator MOORE—So one of the methods was your speech?

Ms Casey—I can give you the speech, but it was based on our data which shows there are some schemes—I should not quote, but some schemes may have in excess of 100 places they are holding on to. Whilst we encourage schemes to hold on to a few extra places should they be able to get carers and to not do themselves an injustice in returning their places to us, there are a number of schemes that could return quite a number of places.

Senator MOORE—You continue, with the subsequent statistics you have got since you made that speech, to believe that the situation is still as you describe it?

Ms Casey—Yes.

Senator MOORE—If they were given back and reallocated effectively, there would not be unmet demand.

Ms Casey—Our current estimate of demand for family day care places is 2,900. We know that there are in excess of 2,900 places out there unutilised at the moment.

Senator MOORE—And is all that data in your speech and annotated with references and so on?

Ms Casey—Not all of it, no. The speech is freely available and most of the family day care schemes would have been able to get a copy of it.

Mr Kalisch—Ms Casey has also provided you with some updated information that has become more recently available.

Senator MOORE—Good. Is it true that the reallocation of places now is not happening nationally but only within states and territories; that they are not crossing borders?

Ms Casey—No, that is not true. In fact, the reallocation, as I just mentioned, of the OSH services went out pretty much nationally.

Mr Kalisch—And there were certainly quite distinct shifts across state and territory boundaries.

Senator MOORE—Are there any states that just do not have spare places, in the data you have? Family day care in particular.

Ms Casey—I would have to look at my data to see if there were any. It goes more on the schemes. I doubt whether there would be any state or territory that would not have some spare places. Some of them are able to get carers more readily than others and utilise their places.

Senator MOORE—And move between different forms of care.

Ms Casey—Yes.

Senator JACINTA COLLINS—Earlier Senator Bishop's questions in relation to how rental property losses are dealt with for family tax benefit B were taken on notice. I will put on notice some further questions that follow from that, given that response could not be dealt with yet. Then I want to go back to the other issue Senator Bishop and I were discussing: people who have lodged or sought to lodge their claims for family tax after time. You undertook, on notice, to see what information you had about contacts, attempts to claim out of time where there has been no assessment, so no result of an assessment. I find it difficult to believe there would not be some idea of the level of the incidence of that. Given that we had asked that question last time and it was not answered to that component, can I ask that we not have to wait the full period on notice to get that answer, because it is an outstanding answer from the earlier occasion. Is that possible?

Mr Kalisch—We will see what we can do to provide you with a speedy response. The one point that should be made as well is that we do rely on a lot of Centrelink data for the answers that we provide to you. A lot of that Centrelink data is drawn as an administrative by-product of their processing. If there is no processing of a claim or a payment, we do not necessarily expect them to keep that form of monitoring information as an addition or an adjunct to their system. There are constraints in terms of their IT capabilities and it is not an area that does get major priority.

Senator JACINTA COLLINS—It got some questions this morning. At this point the answer may well have to be anecdotal, but the system should be able to tell us how many people are not claiming simply because they are out of time. It is a bit difficult to monitor a system unless you have access to that type of information.

Mr Kalisch—We will see what we can get for you, Senator.

Senator JACINTA COLLINS—Thank you.

Senator MOORE—I have some specific questions on the Queensland in-service training. There was a cut to Queensland in-service training quite recently. We are trying to find out about the history and the impact of that. Can you tell us what in-service training was funded in Queensland in 2001-02?

Ms Casey—The funding that was provided by the federal government last year for resource and advisory agencies was \$500,000. There was another \$150,000 provided to the Indigenous Services Unit of Queensland—

Senator MOORE—Specialised areas.

Ms Casey—to support indigenous services. I do not have readily available the information on the break-up of in-service training.

Senator MOORE—What I might do, Ms Casey, is go through the questions. What you can answer, do so, and we can put the rest on notice. It is the best way to move forward. These questions are particularly on that training program in Queensland. We are wanting to know what training is being funded in 2002-03, particularly training for providers. When was a decision made to not offer a new IST contract in Queensland; the timing of that decision? We would like to know the reasons for the decision to cut training funds and who was accountable for that decision. Why have the training funds been cut for Queensland only, seeing that the IST is a national program? Do you have any idea how many training hours have been lost as a result of the decision?

What is the understanding of how Queensland services, particularly those in regional and remote areas, are going to be handling in-service training for the rest of the year? That budget has been cut. What are the proposals for how people will be receiving training as a result of the decision? Should there be any expectation that training providers in other areas could expect their funds to be cut as a result of the broadband process where all these things are up in the air? When will Queensland training providers and services be advised of future plans for in-service training programs in that state?

Ms Casey—I can probably answer the majority of your questions. If I go through the information I have, if there is anything I have left out at the end of that, you might just alert me to all of those questions if I have not covered them. The decision not to progress with the in-service training contract in Queensland was made in November of last year. It was not a decision that was made lightly. The decision not to proceed was made only after careful consideration of all the available resources and of the existing services that were available in Queensland to support child-care providers. As you would be aware, there are many competing pressures on the child-care broadband and we need to take into consideration the existing and emerging needs across Australia in managing an appropriated fund which is demand driven in many cases.

The decision does not pre-empt at all the redevelopment. While the redevelopment is going forward we need to operate business as usual and we need to manage with the funds that are appropriated. Future funding decisions for in-service training and resource and advisory agencies will be considered as part of the broadband redevelopment. Those services will

continue under the funding models they have until the recommendations are put to the minister, so it is business as usual. However, that business as usual needs to be operated within the funds that are appropriated. In making the decision not to progress with the in-service training contract, we took into account the resources that are currently available in Queensland. As I mentioned previously, the federal government puts \$500,000 into resource and advisory agencies. There is another \$150,000 that goes to indigenous services.

There are also a number of other areas that provide a range of resources. For example, the state government provides over \$4 million in Queensland to support the child care statewide training strategy. The Commonwealth government provides services through Merrilinga Training Authority to support family day care. Also child-care providers access a range of resource and advisory and in-service training arrangements that meet their own needs. Many of the private providers have their own in-service training facilities in-house. Others access commercial operators. All of those factors were taken into account to look at where the needs of child-care providers in Queensland are going to continue to be met, should we not progress with the contract.

Was Queensland singled out? No. Other states and territories have taken similar cuts in different areas. We have looked at each state and territory to see what resources are currently available, what support is available, where we need to continue funding and where we can afford to manage until we can get through the redevelopment process.

Mr Kalisch—It is my understanding that that particular case was also subject to a tender process. As you would expect, there is no commitment and no guarantee of funding when a tender begins. The other aspect, looking at the broadband more generally, is that we have sought to give priority to accommodating higher numbers of places for children with, say, special needs and other priority aspects within the broadband, rather than some of the aspects that we would say are perhaps of still high priority but of secondary priority compared to providing, say, special needs subsidy places. It is a constant battle that we are having at the moment to try and stay within the appropriation, despite the small increase that we have had in that appropriation.

Senator MOORE—When was the decision made?

Mr Kalisch—My understanding is that the decision was made in November.

Senator MOORE—But where? It was a national program, so where was the decision made?

Mr Kalisch—In effect, the decision was made by the minister on the advice of the department.

Senator MOORE—At a national level?

Mr Kalisch—Yes.

Senator MOORE—Ms Casey, I think you have picked up all of those points. Is it possible to get that in written form as well? I have been going back as you have responded. I think you have picked up most of the things I asked. My understanding is that there are other forms of training available. Are those other forms of training which you have mentioned—the state government, the particular private providers and so on—available throughout the regional and remote areas of the state? It is always a particular need in Queensland; there are so many needs outside the major capital cities. Was the training access for people outside Brisbane a consideration in the decision?

Ms Casey—The resource and advisory agencies are contracted through the department to operate in regional and rural Australia. I know one of the private providers do provide their own training resources and in-house training and they would have services operating across Queensland, including in remote and rural areas. They would have access to those. I am sure many of the commercial in-service training providers would be willing to go to rural and remote areas.

Senator MOORE—At a cost.

Mr Kalisch—With respect to the answers that Ms Casey and myself have given to you on these questions, Senator, perhaps it might be best if we looked at the transcript, saw if there were any omissions, and then provided some supplementary information, if necessary.

Senator MOORE—That would be fine. The whole issue is part of the ongoing broadband discussion as well. The specific issue of training for providers is part of that ongoing discussion and possible budget impact.

Ms Casey—All the resource and advisory agencies, in-service training agencies, are encouraged to provide submissions and come to the forums to put forward their ideas.

Senator MOORE—Do you ever have any trouble getting people to do that?

Ms Casey—No.

Senator MOORE—My next questions are to do with children with special needs. They are ongoing questions from the last Senate estimates. The new disabled supplementary services—DSUPS—were guidelines introduced to family day care and in-home care services 1 January 2003. Can we have a short briefing on the guidelines and their possible impact, particularly on in-home care?

Ms Casey—I think what you are referring to is some draft guidelines. We have not introduced any new guidelines, nor have we promulgated new guidelines that we intend to implement from 1 July.

Senator MOORE—Nothing really kicked off on 1 January?

Ms Casey—No. What has been happening is that we have been looking at the current guidelines and provisions for the DSUPS program, and we went out in confidence to some critical friends, seeking their input to the impact that some of the changes to the guidelines might have. I understand that some of those critical friends have taken that further.

Senator MOORE—I am having some difficulty with the terminology. It is almost like a group of the willing. You went out to the group of critical friends for some confidential advice. Is that right?

Senator Vanstone—Good friends enough to be—

Ms Casey—Good friends who can be critical.

Senator MOORE—The concept was not going to one of the many advisory groups that you have in the sector but to go to some people in confidence with some ideas to try and get some critical professional advice. Is that right?

Ms Casey—Yes, essentially to develop new guidelines so that we do not sit in our ivory towers and create guidelines. We have done a considerable amount of work. We asked a couple of what we call critical friends to have a look at them and give us feedback, which we have now incorporated into new guidelines that have not gone forward yet. We will be looking at where we go with those.

Senator MOORE—Perhaps not as confidentially critical as you would have hoped.

Ms Casey—As we would have hoped. We did ask for that.

Senator MOORE—So the guidelines were not made public on 1 January, as I had presumed. When can we expect public guidelines?

Ms Casey—We are still considering the feedback that we have from the critical friends and refining our guidelines to take forward.

Senator MOORE—End of the financial year?

Ms Casey—We could be looking at that. I am not sure where we go. We need to consider where we are actually going with the guidelines, how it fits in with the broadband redevelopment and get some further advice from the minister on that.

Senator MOORE—The next question is a straight numbers question about how many children are currently being assisted through the SUPS, DSUPS and, my personal favourite, the SNSS, the special needs. We talked about them last time. Do you have those figures available?

Ms Casey—The SUPS program—I will see if I can get that information for you.

Senator MOORE—Sure.

Ms Casey—Perhaps the easiest one is the SNSS. Did you want the waiting list?

Senator MOORE—Yes. The two SNSS questions I have are the ones you would expect: how many children are currently being assisted under that program and the one that we are always asking about, the number of children currently on the waiting list for that particular program.

Ms Casey—At the moment there are 3,744 children.

Senator MOORE—On the waiting list?

Ms Casey—No, receiving support. Of those, I think that 27 per cent are already receiving support and are seeking additional hours.

Senator MOORE—Sure.

Ms Casey—On the waiting list at the moment we have 874 children, of whom 242 are currently receiving the SNSS funding but are seeking additional hours. Sorry, I have confused you.

Senator MOORE—Do they actually appear on both lists? They are currently in the system, but they are awaiting extra need.

Ms Casey—They are currently asking for more hours.

Mr Kalisch—In terms of those that are seeking to get onto the scheme, it is 632.

Senator MOORE—I have not got the calculator. Is it possible to get a state by state break-up of that, Ms Casey?

Ms Casey—I can give you that. On the waiting list in Victoria, there are 181 children, New South Wales 319, Queensland 154, Western Australia 75, South Australia 102, Tasmania 27, Northern Territory 14 and the ACT two.

Senator MOORE—That should all add up to 874.

Ms Casey—Yes.

Senator MOORE—We have 3,744 currently being assisted for the program.

Mr Kalisch—Yes.

Senator MOORE—What is the full budget allocation for SNSS for 2002-03?

Ms Casey—We have capped the funding through the child-care broadband at \$20 million.

Mr Kalisch—It is fair to also say that at this stage we are spending above that limit.

Senator MOORE—Is there any indication of what the overspend is?

Mr Kalisch—About \$1 million to \$1½ million above at this stage.

Senator MOORE—That is not insignificant.

Mr Kalisch—That is essentially giving people more places, more hours.

Senator MOORE—Sure.

Ms Casey—Unfortunately, I do not have the information on DSUPS and SUPS—the number of children. I will have to take that on notice.

Senator MOORE—Can we put those on notice, the specialised programs. In our estimates last year, we talked a lot about the impact of capping, the freezing, of the SNSS program, and in the reply we received was this response:

The department is considering the potential impact of the decision to freeze SNSS funds based on legislation and has sought legal advice on a range of inclusion aspects.

Can we get any more detail about the kind of legal advice the department has been seeking and anything that has come out of that? We had considerable discussion about whether in fact cutting SNSS programs would cut across other forms of discrimination law.

Ms Casey—We did seek legal advice and I believe we wrote to services in relation to that, so I could give you a copy of that information.

Senator MOORE—Good. So we are getting some more advice on the numbers and also the legal advice.

The next matter is staffing issues in child care. We talked a bit about the difficulty in recruiting and retaining qualified staff in the sector, and I am wondering whether this is something the department, in the various forms of discussion, considers. Is there an acceptance within the department that there is a problem in recruiting and retaining qualified staff in this sector?

Mr Kalisch—This was an issue that came up in the Child Care Advisory Council's report *Beyond Child Care* and it is a matter of some considerable discussion and ongoing activity that Ms Casey is involved with and which involves, as far as I am aware, all of the state and territory jurisdictions. This is not just a Commonwealth issue. It is an issue that, as with child care, does cross the Commonwealth and state interests, and we all have an interest in looking in more detail at this issue and in coming up with some practical responses. Perhaps Ms Casey can outline some of the processes that we have been undertaking with our state and territory government colleagues with regard to investigating this issue. I think it is one that will be the subject of further deliberation and concern, certainly for policy-makers and governments, over the coming years.

Ms Casey—As Mr Kalisch mentioned, I have been working very closely with my colleagues in the state and territory governments, through the children's services subcommittee of the Community Services Ministers' Advisory Council, and we are currently finalising a report that will go to the March meeting of CSMAC.

Senator MOORE—What is CSMAC?

Mr Kalisch—Community Services Ministers' Advisory Council.

Ms Casey—I am part of the subcommittee that reports to that committee. We are producing a report that is an amalgamation of all state and territory governments, who are equally concerned and have been doing things in their own right to address specific issues in relation to the shortage of child-care workers. It is a very complex issue. It involves not only attracting people to the child-care work force but is also retaining them. It is about their pay and conditions, their qualifications and the different requirements across state and territory governments. The minister has also announced that he will be holding a think tank on work force issues early this year. He will be bringing together state and territory governments, as well as academics and the child-care sector, to again look at the recommendations that were put forward in the Child Care Advisory Council's report and how we, as a unified group, can progress with that.

Senator MOORE—CSMAC is meeting when?

Ms Casey—In March.

Senator MOORE—Is Minister Anthony's think tank an invitation only group?

Ms Casey—It is invitation only. We needed to restrict the numbers so that we could get some action out of it.

Mr Kalisch—He will be making further announcements as to the nature of that process.

Senator MOORE—Is there any consideration to having employee representatives as part of the invitation list?

Ms Casey—There is.

Senator MOORE—Its first meeting is coming up soon?

Mr Kalisch—That is something that he still needs to announce.

Ms Casey—The think tank is not a committee. It is a workshop to bring together—

Senator MOORE—How do you wade your way through the various committees, groups and think tanks? Do you have a full list of them so you can refer to them? I'm lost!

Mr Kalisch—It becomes part of a public servant's life.

Senator MOORE—The concept of taking the issue of training and staffing through the various levels of groupings and consideration is so important. Has any consideration been given to having the National Childcare Accreditation Council look at the impact of staffing levels on the quality of care in centres?

Ms Casey—The National Childcare Accreditation Council would be part of the think tank.

Senator MOORE—So they got an invite?

Ms Casey—They haven't yet, but they probably will! We constantly work with the National Childcare Accreditation Council, of which I am a member, to look at issues in relation to the quality of child care and the impact. It also requires the state and territory governments to look at their licensing requirements and regulations in relation to qualifications and staff-child care ratios, which vary significantly across state and territory governments.

Senator MOORE—The concept of addressing staffing issues within quality assurance or accreditation has been considered and could be considered in the future?

Ms Casey—It is looked at as part of the accreditation process. In order to receive accreditation, services need to be able to identify the qualifications and skills of their child-care workers. That is also a requirement for licensing. As you are probably aware, many services apply to their state and territory governments for exemptions against the requirements.

Senator MOORE—Those kinds of anomalies are part of the ongoing discussions between the various groups?

Ms Casey—The important thing is that all state and territory governments and the Commonwealth are aware of the significance of this issue and are working together to look at how we can collectively address it.

Senator MOORE—For the first round, there will be the report to the national group that is meeting in March and then, when that has been reported, there will be public reports out of that?

Mr Kalisch—I am not sure whether there will be a public report from that CSMAC group. It is a group of officials that will be providing a report to community services ministers, who, I understand, are probably meeting around June-July.

Senator MOORE—We would need to then put another request in to see whether any report of that is published?

Mr Kalisch—That would have to be a decision of that group.

Senator MOORE—Yes, put the request through. And the same or similar issues, as well as many others, will come up through the minister's think tank, so we will wait and see what publicly comes out of that. That is all I have on child care.

Ms Casey—Senator, can I give you the broadband redevelopment costings that you requested?

Senator MARK BISHOP—Yes.

Ms Casey—The total contract for Community Link was \$404,811. That included GST and travel. We have not paid all the money up-front, as you would expect. It is dependent on achieving significant milestones. The first milestone was the establishment forum, and we have made our first payment on that.

Senator MARK BISHOP—Thank you.

Senator MOORE—Minister, are we having any think tanks on housing?

Senator Vanstone—We have had some prior to the offer we put to the states on the Commonwealth-state housing agreement. There is a lot of goodwill to try and fix some of the problems in housing. The states, as I might have said here before, have in my view misplaced low-income public housing. They have put it in areas that require significant transport costs to access work or where there is not even decent enough transport, let alone access to social services. They do not yet have an appropriate incentive for people to move out of public housing and into a job, because they are worried about the impact on rent. There is a whole range of things they could look at that go well beyond the housing portfolio. It is often into planning and development and industry—'We want this industry here'—and sometimes the last thing they think of is the housing and social services that go with it.

You can argue any day you like about the Commonwealth's decision to have two types of assistance for low-income housing. One is the money directly to the states for state based housing trust type of accommodation. But, as I said before, that just does not suit someone

who is looking for work or for other reasons is mobile—I cannot immediately think what other reasons there would be, but work is a particular one—because you wait long enough to get a house, and if you get it you are not going to give it up because you can get a job on the other side of town.

Senator MOORE—You would keep your house.

Senator Vanstone—So rental assistance is very important for low-income people for whom, for one reason or another, state housing is not beneficial. It is true that the Commonwealth assistance to the states has decreased, but it is not true to say that the Commonwealth assistance to low-income housing has decreased. In fact, that has increased quite markedly and, if rent assistance is any guideline, will continue to do so. People might in fact prefer greater choice in their housing with Commonwealth rental assistance than getting housing trust accommodation. I do not know if there would be a particular income level where that might apply. There would obviously be a lower income level where that is not a choice. I understand that.

Senator MOORE—The first two questions reflect just the kinds of things you have talked about. It is an update on the progress of discussions towards a new agreement, and we have heard a little bit about that, and you have begun on any information about the Commonwealth's offer to the states.

Senator Vanstone—I do not know that there is any more information since we met last time, but that is simply because I cannot remember the juxtaposition of the two dates. The officers might be able to help in that respect. As to further discussions, there is a Privacy Act and there are privacy guidelines et cetera—if you tell one part of the Commonwealth something, they are not allowed to tell the other part of the Commonwealth; the government is not one indivisible person. Somehow, my diary seems to be something that is available to everyone, such that I might be going to Darwin soon—the Northern Territory—because it was on the phone within a day of us making that decision—not, ‘Oh, Minister, you might be coming. Can we discuss it?’ So we will, if we can, fit it in and have more discussions. But, as I understand it, the states have gone away to pretty much sort out what they think. It is an increased offer. They have indexation for the first time, which is a very significant contribution by the Commonwealth. I think I might have said last time, my heart is in the right place—just stick with us. And, as I keep saying in the Senate, this is not as good as it gets. It is going to keep getting better.

Senator MOORE—You should get a T-shirt printed, Minister!

Senator Vanstone—But the indexation makes a big difference. It was the only SPP that did not have it, and I think it is reasonable that it did have it. But there are things we require from the states in exchange for that—not just, ‘Here's the money. You do what you like.’

Senator MARK BISHOP—Is the hang-up accountability?

Senator Vanstone—I do not know that it is only that.

Senator MARK BISHOP—Is that an issue, though?

Senator Vanstone—Transparency I think is a better way to put it: ‘What do you do with the money? Where does it go?’

Senator MARK BISHOP—Yes, that is what I meant.

Senator Vanstone—I have raised this a couple of times in different manifestations in the chamber before, but just give me an opportunity to get this off my chest. Irrespective of which state we come from, we are not presumably empty vessels to just repeat whatever our state

governments say. While you happen to be a Labor state government at the moment, you certainly will not want to do it when that changes, and you might even not want to do it now. When it has been a Liberal government, I certainly have not always wanted to just repeat what the state says, I can assure you. They have quite different functions.

Since we give large blocks of money, the Commonwealth is not largely a direct service provider to people. We are in terms of income support but not in other services. In limited ways we are. Employment for disability would be one. But it is primarily the states that do that. Therefore, all of us, irrespective of our political persuasion, should be very interested in how transparent the states are in what they do, not only with Commonwealth money but with state money, in terms of service delivery. They are not transparent in what they do. Some states are far better than others. I will have something more to say about that later. I think Senator Coonan recently raised in the chamber a matter I raised last year, which is the proportion of your insurance that goes into state revenue. It is not clear to a lot of people how much they pay in that respect.

I have a great interest in transparency, especially when it applies to Commonwealth money. For anybody who is interested in the general theory of democracy, people can go and see what the government is doing. You take a set of state budget documents and see if you can really figure out where the money goes and what they are doing. I think all of us have an obligation to try and make the states more transparent—that is the better word; not ‘accountable’ to a Liberal or Labor federal government—in what they are doing, where the services are going and why, whether they have done what they said they were going to do, and how their budget matches up to their annual report.

I would not expect that a guy who has a couple of schooners at the pub every night on the way home would be vaguely interested in doing this, but if he has a disabled daughter, the community group on his behalf should be able to do that without getting someone with an MBA to read the documents, and they cannot. That is as true of housing as it is of disability as it is of gambling, and I am sure it is true of a whole variety of other areas. I heard the states bleating the other day about health and saying there is not enough money in health; they were neglecting to say that their own percentages on health spending have gone up less—and this will be under Liberal and Labor governments—than the Commonwealth increases on health. So I don’t suppose the states are my fan club! But it is progressing. I think the states were pleased with this offer. They will always say they want more, but they are very pleased with the indexation offer.

Senator MOORE—How are the discussions going?

Senator Vanstone—I think the officers can tell you, if they have had officer to officer discussions—I have not had minister to minister ones. We had acceptance very quickly from Victoria. That is because they want to rush out and make a few announcements before their election, but I did not care. We want their agreement. If the agreement was on terms we were happy with, what do I care?

Ms Beauchamp—To add to the minister’s comments, letters of offer did go out in November. We have got responses from most states and we are in the process of negotiating, leading into our ministerial meeting in April, so we are on target.

Senator Vanstone—11 April, to be precise.

Senator MOORE—Will the new agreement have an efficiency element in it?

Senator Vanstone—Yes.

Senator MOORE—The minister alluded to linking rent assistance and payments and so on. One of the things we are interested in is what benchmarks will be used to link the new agreement to welfare reform initiatives or employment programs. There were comments in the minister's statement that led me down that track.

Ms Smart—Part of the Commonwealth's offer to the states and territories was that five per cent of the base funding for the Commonwealth-State Housing Agreement would be contingent upon reporting and performance in two specific areas. These two areas were in relation to the reducing or removing of work force disincentives and the involvement of private sector investment in public housing. That is the general principle. The details of what states and territories would include in relation to that would be negotiated at a bilateral level in order to recognise the different circumstances between different housing markets in different jurisdictions.

Senator MOORE—What about the welfare reform components?

Senator Vanstone—Work force disincentives would be a part of that.

Ms Smart—What we are talking with the states about are some of the measures that they have around public housing and some of the things that may be barriers to participating in employment; how can it be better linked to ensure that they are not creating a barrier to some of the welfare reform measures or approaches.

Senator MOORE—The details of that will be fleshed out through the negotiation process?

Ms Smart—Yes.

Senator MOORE—And on 11 April, we will all be happy?

Ms Smart—11 April is the ministers meeting, when we would hope to deal with it at the multilateral level, which is the national level, and then negotiations would continue with individual states and territories at a bilateral level.

Senator MOORE—Can you give us any information about the progress of the 1999 budget measure to achieve tighter compliance amongst rent assistance customers? It is an ongoing program.

Ms Smart—The 1999 measure was implemented by Centrelink in three stages. The first stage was in September 1999, the second stage was six months after that, and the final stage was—my advice is—in May 2002, so they have completed the implementation of that measure. We are currently awaiting final details, but my understanding is that in that third stage there were around 180,000 reviews of rent assistance clients last year.

Senator MOORE—Have there been problems during the process?

Ms Smart—That is probably a question that is better directed towards Centrelink because they are responsible for the implementation.

Senator MOORE—We might put them on notice. We are wanting to find out, in terms of the notice, the three-stage process: were the dates met and each of those completed on time, what problems were encountered during the process, did any customers have their payments cut incorrectly and had the savings targets that were linked to the budget initiative been met? If you can put those on notice that would be great.

Senator MARK BISHOP—I have about 20 questions on breaching. They all go to seeking statistical information following on previous discussions we have had at estimates. Do the officers have that information readily available or would it be better if I provided you with the sheet and you get the information to the committee in relatively quick time? I am

happy to do it either way—for example, the number of administrative breaches applied to individuals by payment type and number and percentage of first, second and third breaches for the year 2001-02 and much of 2002-03.

Mr Sullivan—I think to get it right and comprehensive, it would be better if we could take them on notice, Senator.

Senator MARK BISHOP—Is it possible to get a relatively speedy response, as opposed to waiting?

Senator Vanstone—Yes.

Mr Sullivan—Yes, it is.

Senator MARK BISHOP—I will put those on notice.

Senator Vanstone—We have been working on this area for two years or so. We are as interested in it as you are. You might have a different view about the way we ought to go about it.

Senator MARK BISHOP—This is a continuation.

Senator Vanstone—Information should be common ground.

Senator MARK BISHOP—That is right. All right, I will put those on notice.

Senator Vanstone—You might have some questions there that might take longer, but we will not do anything to disadvantage you.

Senator MARK BISHOP—All right, I will put those on notice. Another question on notice is with regard to the issue of numbers of long-term unemployment. My final question is: when will the department release the report of the print disability services and postal concessions to the blind review, commissioned in June 2000, which the department is currently assessing?

Senator Vanstone—Thank you for making me aware of the report. Do some of you know about this?

Mr Halloran—It is our intention to release a summary of the report in May of this year.

Senator MARK BISHOP—What has been the delay?

Mr Halloran—We received a copy of the report from the consultants in August of 2001. At that point in time we realised that there were major advances in technology, and those advances made many of the recommendations and aspects of the report out of date and irrelevant. We have been working with key players in the sector to refine that.

Senator MARK BISHOP—I see. Did you say you are going to release a summary of the recommendations?

Mr Halloran—Because of those aspects that are now irrelevant or out of date because of advances in technology.

Senator MARK BISHOP—For those recommendations that are still valid, still in date, will the supporting argument and information relating to them be released?

Mr Halloran—Yes.

Senator MARK BISHOP—When will that be done?

Mr Halloran—In May of this year.

Senator MARK BISHOP—Thank you. That completes my questions.

Senator GREIG—I have a quick question on housing, Minister. My understanding is that in relation to the recent bushfires in the ACT, some 64 houses that were damaged or destroyed were public housing. I am wondering if the Commonwealth has given any consideration to assisting with meeting what is a recently new, unmet need here in the territory.

Senator Vanstone—I do not have any advice on the proportion of houses that might have been public housing or the appropriate financial relationships between the Commonwealth, states and territories, where they suffer such a loss, but I will get some information and give it consideration and get you an answer. I just have nothing to tell you.

[5.10 p.m.]

Senator FORSHAW—Minister, I want to start with the negotiations for the renewal of the Commonwealth-states-territories disability agreement. Could we have an update of where it is at, who has signed up, if any, and then I want to go to some questions.

Senator Vanstone—I have been away for a couple of weeks. I will let the officers add to what I have to say. I think it is pretty disappointing that we made an offer of an increase in, I think June last year, and here we are in February and we are still not signed up. Because we did not have the unmet need—which was put in in the last two years of the last agreement or what you might still call the current one, because it is rolled over in forward estimates—we had one minister telling everybody the Commonwealth was cutting unmet need, and the same minister does not now recognise that that money is in the forward estimates but it is new spending. He cannot have it both ways. He cannot say, ‘They are cutting it,’ and then not acknowledge it is new new money when it is there.

In any event, we have made the offer. Frankly, the states have not done well—politically, I suppose they have done quite well, ganging up and going around and telling everybody the Commonwealth has not put in enough. The states themselves are not necessarily matching, all of them, what the Commonwealth’s increase is. If you look at the Commonwealth’s increase in its responsibilities under the CSTDA, which is the employment services, it is about a 10 per cent increase. If you look at the increase in Commonwealth expenditure under the whole CSTDA, that is, our employment part and the contribution we make to the states in the other part of the CSTDA, I think it comes down to between five and 6.3. There might be a state or two close to that, but there are others, frankly, that are appallingly low—even low if you disregard the Commonwealth’s involvement in employment under the CSTDA, and say that is not under the CSTDA, as some of the states are wont to do—and are not even meeting the Commonwealth’s percentage increase on its contribution directly to the states; some of them are not even doing that.

Some of the states have had a falling percentage contribution. If you take the money going for other services, excluding employment, that the states are responsible for, some of the states have had a falling percentage contribution and that is what this game with them is about—they are trying to get a smaller percentage contribution again. I say some of the states. I am sure the officers can give you the detail. I could go and get it for you but I am sure they know it probably off pat.

This is a sad example where some states do far better than others, historically, irrespective of who is in government here. I think Victoria probably comes out the best. It spends a lot more per capita, and I know spending per capita is not it, because if it is inefficiently spent it does not mean more services get to the people, but it is an indicator at least.

I think they spend about 50 per cent more than New South Wales does per capita. New South Wales spends one-third less. You have a state that has a bigger population and they

spend less of their own money on disability services. On a per capita basis they spend significantly less. Then you have a state like Queensland that has always underspent here. Queensland people have an argument with you about it. I suppose the previous government would say, 'It was an area where NGOs traditionally provided.' Nonetheless, they came from a small base. They can talk about quite big increases but they still have a very small base and a small contribution. It is not possible to generalise. The differences are quite dramatic and I think New South Wales and Victoria are classic examples. My own state does not have anything like the adequate increase it needs in this area to even meet the Commonwealth's offer.

That puts the Commonwealth in the position of saying, 'What do you do?' Do you just say, 'If you don't want to spend the amount you should have spent on disabled people, if you want to keep reducing the percentage, okay.' There are two aspects to your decision there. One is the degree to which the Commonwealth is prepared to spend more and that is a financial decision for the Commonwealth. The other is the degree to which—if you can imagine it being separate from the Commonwealth's consideration—you are prepared to allow states to just walk away from their responsibilities in this area. I do not think we should.

It is not for me to say about myself, I suppose, but I think the Commonwealth has been patient in the extreme with some of these state ministers and the games they have chosen to play. The patience is running out. We are a bit sick of the game actually. We want them to sign up, take the Commonwealth money and start spending a bit more on disability.

Senator FORSHAW—Is that it?

Senator Vanstone—That is it.

Senator FORSHAW—Thank you, Minister. I thought I would let you make the speech and we have got that out of the way.

Senator Vanstone—That is very kind of you.

Senator FORSHAW—Yes, I know. I am patient. The question was, what is the status in negotiations? Has anyone signed up yet—do you have any understanding—to agreements in principle? I do then want to get a precise breakdown of the Commonwealth's offer.

Ms Winzar—Senator, the current situation is that the existing agreement has been extended until the end of this month. What we are waiting on now is for states to come back to us with their five-year forward commitment of the money they propose to put forward for their responsibilities under the agreement. At this stage only one state has provided that information which, as the minister indicated, was sought around the middle of last year.

Senator FORSHAW—One state has provided it. Are you expecting to get some further indications before the end of the month?

Ms Winzar—Senator, we have been continuing to have bilateral discussions with a number of states about the detail of some joint work and requirements that we could have under the agreement relating to their states. Those discussions are progressing fairly well. Once we have the financial commitments of the states we can move to finalise the agreement with those states.

Senator FORSHAW—But what you are saying to me at the moment is that you have had one state.

Ms Winzar—That is correct.

Senator FORSHAW—Minister, you mentioned what you say is the increase. You gave a couple of figures, depending upon whether employment services are in or out. Could you give

me details of the Commonwealth's offer for the new agreement in direct comparison with the funding under the previous agreement.

Ms J. Wilson—The Commonwealth offer is \$2.8 billion to the states and territories over the next five years of the agreement in terms of money to the states for the delivery of the states responsibilities under the agreement. There is another \$2 billion in terms of its employment responsibilities over the five years of the agreement. It is a total funding of \$4.8 billion, which is an increase of \$1.6 billion over its contribution to the last agreement.

Senator FORSHAW—That is in total?

Ms J. Wilson—Yes.

Senator FORSHAW—But what about the two figures that you have given, \$2.8 billion as against—

Ms J. Wilson—Yes. It went up, Senator, from \$1.9 billion to \$2.8 billion in terms of the money to the states for their areas of responsibility. For employment it was increased from \$1.3 billion to \$2 billion in comparison between the second and the third agreements.

Senator FORSHAW—There has been a fair amount of discussion and it has been canvassed in the Senate at question time and other times about the unmet need component. I do not want to debate it but, as I understand it, the Commonwealth's offer is \$125 million. That is for unmet need, is it? Can you explain to me what the Commonwealth's offer is?

Ms J. Wilson—Sure. The \$125 million was an additional offer made in terms of funding which the minister made in June. As you will probably recall, in the last agreement there was \$150 million extra injected in the last two years of the agreement as part of that. That was built into the base, so the exit figure included \$150 million extra for unmet need for the states in their areas of responsibility.

Senator FORSHAW—That was ultimately in the \$1.9 billion, was it?

Ms J. Wilson—Yes, it is. That is right. It went in in two instalments. There was \$50 million in 2000-01 and \$100 million in the last year of the agreement. As part of the budget announcement that \$100 million was to be maintained for each of the next five years of the agreement. With indexation and those increases it becomes an extra \$551 million, which flows into the next agreement as a result of that injection. It is not just the \$125 million. That was an extra offer to the states in June last year. In terms of firming up the \$100 million and its indexation effect, that became an increase of \$551 million into the next agreement. On top of that there is the \$700 million increase in employment which the Commonwealth announced as part of the budget package.

Senator FORSHAW—The \$700 million is the increase of \$1.3 billion to \$2 billion.

Ms J. Wilson—That is right.

Senator FORSHAW—The \$551 million, which includes the indexation component, is within the \$2.8 billion.

Ms J. Wilson—That is right.

Senator FORSHAW—That is over five years. I raised a topic in question time regarding the conclusions of the Institute of Health and Welfare report on unmet need and comments by Mr Baker from ACROD about what the level of unmet need is out there and what amount of money was needed to meet that. What does the department or the government expect the level of unmet need to reach over the course of the next five years? Mr Baker I think said at this point in time \$500 million is needed.

Ms Winzar—Senator, in terms of the quantification of unmet need both for state funded services and for the Commonwealth's employment services, we generally support the observations of the Institute of Health and Welfare. This is a very difficult science but there is no reason to doubt, for example, their estimate of unmet need in relation to Commonwealth funded employment services: around another 5,000 places are required. Thus Ms Wilson's comments about the extent of the funds that the Commonwealth has directed to meeting its responsibilities to address unmet need in that sphere.

In terms of the states responsibilities for accommodation and other services, it is a little difficult to be quite definite about that because each state delivers its services in a very different way. For example, in one state you might have a greater likelihood that accommodation services would be provided, whereas in another state the emphasis would be more on in-home care and support.

Accepting all those caveats, I guess one of the observations made is that the Commonwealth contribution towards the unmet need that the states deliver on should perhaps be around \$250 million a year. We would take the view that this is not solely the Commonwealth's responsibility, in terms of funding those services that the states deliver. The Commonwealth makes a contribution to assist the states but it is particularly important that the states themselves lift their effort in this area. When we look at the per capita contribution the states make, it is very difficult for us to explain away the difference in Queensland, which spends about \$1,400 a head on disability services, compared to Victoria which spends slightly over \$4,000 a head.

Senator FORSHAW—If we can put aside for the moment the issues about ultimately who should pay—and I accept that is extremely important—in the end we have to get an agreement, hopefully, between the Commonwealth and the states. That is going to apply under any government. Firstly, you acknowledge the study done by the Institute of Health and Welfare is an important contribution to considering this issue.

Ms Winzar—Yes, Senator.

Senator FORSHAW—I think one of the answers from questions back in June last year was that the government acknowledged it would help to develop a better understanding of the issues. They have put forward some proposals as to how it might be addressed, but what I am trying to ascertain is: does the department itself have its own identification of what the level of unmet need is and is expected to be?

Ms Winzar—Senator, that Institute of Health and Welfare report was commissioned, as I understand it, by disability administrators from both the states and the Commonwealth, so it was seen as appropriate that the Institute of Health and Welfare do that task for both levels of government. We have not undertaken any separate efforts to try and quantify unmet need.

Senator FORSHAW—Is that something that is being considered, or could be done?

Ms Winzar—I guess we could do it—

Senator FORSHAW—If the Institute of Health and Welfare comes up with its analysis—and Mr Baker, or whoever is out there making various statements about how much they think is needed—and that is going to be considered properly and the government is going to respond to that in one way or another, then presumably it has to also, ultimately, make its own assessment, or alternatively accept the assessment of others. That is what I am trying to ascertain: what is the department doing to test what others are saying?

Ms Winzar—Perhaps it is worth noting that officers of the department were closely involved with the development of that report by the Institute of Health and Welfare. There

was a little steering group set up with state representatives and Commonwealth government representatives, so we were quite closely involved in that process. I am not sure that it would be worth our while to try and do a parallel study. One of the important things is that we really need to make sure that the Commonwealth and the states have a common view of the issues and of the scale of the problem.

Senator FORSHAW—That is precisely why I am asking the question.

Ms Winzar—Yes.

Senator FORSHAW—We could probably ask the states in other ways, but I am here asking the Commonwealth its view.

Senator Vanstone—I could give you the government's view with respect to the first steps that need to be taken in this area.

Senator FORSHAW—That was not my question, Minister. My question was about the government's view of the empirical evidence, if there is any, of the level.

Senator Vanstone—Yes, I understand that. Presumably you are only interested in that for the purpose of devising a means of assisting people who need this assistance. What I am offering as a contribution to the answer is that there are some first steps that need to be taken, which are highlighted in that Institute of Health and Welfare report. I will not say any more but just ask you to look at the *Hansard*, before you were here, at the comments I made about transparency in reporting by the states. That has not drawn specific attention to the Institute of Health and Welfare report, but you only need one lens in your glasses to see what they are saying. One state, for example, says they spent this amount of unmet need money. That is meant to be new money from us and them together in a particular year. Then it reports their expenditure as being about \$39 million less than what it would be if you added last year's money and the new money, so \$39 million goes missing. In one state that is quite a lot of money and a lot of services.

The report also, I think, indicates the almost criminal slowness of the states to roll out the unmet need money—that is, to actually spend it. There is no slowness to take it from the Commonwealth, but a great degree of slowness to spend it and get it out there. Part of our offer to the states does require a common dataset. That \$150 million we put in and the states put in—not four times that as they usually do in this agreement; it is us 20 and them 80 nationally—varies from state to state. There is a state, I think, where either full-time accommodation or respite care, if not both, went down. Yet the agreement was that unmet need would go to provide more respite care for ageing parents with children who are getting older. You can do that in two ways: you can have more full-time accommodation so the respite care is being used up less, or you can have more respite care, or a combination of both. There is no excuse for extra money going in and any state having less numbers in one of those places. That is highlighted in that report.

When you speak to the states about it they say, 'We all account for these things differently.' I am pleased to say that they have all agreed, even if we have not got to sign-up, to a common dataset on this area, so that we will be comparing apples with apples and be able to see where the money is spent. As I say, I draw your attention to my views on the lack of transparency in state budgets and annual reports. But we think that is a first step to get an understanding of where the money is spent. It does no good, as we discovered, to put a whole lot of extra money in and not necessarily get an improvement. There was a state where that happened.

As to the costing, the department might have a bit more to say but, as I recall the institute report, it identified the potential number of places required but I am not sure that it identified

the level of need in those places. As you would understand, there are some high cost disability places and there are some low cost ones and that depend very much on the level of disability. But the department might have some more to add there.

Ms J. Wilson—Senator, I was just going to add that part of the AIHW study was also meant to be identifying the effectiveness of the unmet need money that was put into this agreement—the \$150 million Commonwealth funds and the \$366 million contributed by the states—and they had real problems in identifying how many extra people that helped. If you remember in 1997 the AIHW did a report and they identified unmet need at a certain level. I think it was around 25,000. The extrapolation that the AIHW made in this current report was they thought anywhere between 14,000 and possibly 27,000 people may have been assisted by the money. That is a huge range. If we are talking about dealing with unmet need in a systemic way, to build on the first steps approach we would need to make sure that money went to help the first group of people identified and systems put in place to identify where the additional need is. That was something the report itself highlighted; the difficulty in identifying who was helped.

Senator FORSHAW—Minister, you just mentioned the development of the minimum dataset which was one of the recommendations of the report.

Senator Vanstone—And the states and territories unanimously agreed to that. There is no argument about that.

Senator FORSHAW—Okay, I was going to ask about that.

Senator Vanstone—No, they agreed that very early on and were very happy about it.

Senator FORSHAW—Is the department conscious of an unidentified unmet need, as distinct from identified unmet need—in other words, those that may fit the criteria for receiving the services or support but are not aware of it or are not seeking assistance? Do you see that as a significant issue? What, if anything, is being done to identify the level of what I and others would call unidentified unmet need? That was asked back in June of last year and I do not think it was answered directly in the questions on notice. I can draw your attention to it, if you like.

Ms Winzar—It is a little difficult for us to try and estimate the unmet need that is not identified either through waiting lists for services or a protest to state governments, et cetera. The Institute of Health and Welfare report does do some of that, in the sense that it does look in a very broad way at structural ageing, the changing demographics and the fact that that will influence service demand in the future. But, frankly, it is quite a tall task.

Senator FORSHAW—All right. I will take you back to the same question, essentially, that was asked back in June. It is question No. 114:

How is the Department currently dealing with the issue of the unidentified, as opposed to the identified, 'unmet need', that is, those that fit the criteria for receiving funded disability services but are not aware, or are not seeking assistance? Does the Department have any indication of the level of this unidentified unmet demand?

In the answer that was provided, there were certain figures given in relation to other parts of the question, but that was not particularly commented upon. The final sentence in the answer was, and I have referred to this earlier:

The report currently being undertaken by the Australian Institute of Health and Welfare on 'unmet need' will help develop better understanding of some of these gaps.

I am asking whether you are able to respond in any way now to the question that was asked then.

Ms Winzar—Not beyond what is included in the Institute of Health and Welfare's report. It did look at the population impact; it did look at the impact of the funding that was in the system at the moment. I think it is fair to say that these predictions are very hard. The style of services that are delivered changes, the access to supports from sources other than government changes over time, and it is quite a difficult task.

Senator FORSHAW—Thank you. I have another question about the new agreement, which is not finalised as yet; the current one is being rolled over. If and when the agreement is signed, from when would the funding apply—back to July of last year?

Senator Vanstone—That is the offer before the states at this point in time. But you do raise an interesting question. If, for the sake of arguing with the Commonwealth, they have been able to or happy to not take Commonwealth money and spend it, there comes a point in time at which a windfall back payment is not appropriate. The offer to the states at the moment is that it would apply from 1 July last year.

Senator FORSHAW—The Commonwealth has the whip hand, has it, in that regard?

Senator Vanstone—No, I would not regard it as having the whip hand at all. You can see the rationale of that.

Senator FORSHAW—At the end of the day, they are going to get the money from the Commonwealth.

Senator Vanstone—Especially since most of the states have been appalling in reporting how they spend the money. You can see what will happen. There will be a big lump sum; the states will go around and not spend it on continuing things. They will spend it as a one-off cash offer and say, 'Here we are, the states, doing a fabulous thing for you.'

Senator FORSHAW—You do not have much confidence in our states, do you, Minister?

Senator Vanstone—I do not raise that in the context of there being no credit to the Commonwealth for where the money has come from but in the context of it being spent in a one-off burst as opposed to how it ought to be spent, which is in a continuum. So some people miss out. People are missing out now. How many millions of dollars would now be out in the hands of states and, therefore, hopefully, in the hands of providers if they had signed up? What is three-quarters of the increase?

Ms J. Wilson—From memory, it was going to be \$15 million by the end of December.

Senator Vanstone—Yes, it was \$15 million by the end of December that would be out. It is just sitting in the Commonwealth bank account.

Senator FORSHAW—Yes. I heard the same arguments about the Medicare agreement.

Senator Vanstone—About which?

Senator FORSHAW—The Medicare agreements.

Senator Vanstone—Right. I have not had the pleasure of negotiating that agreement, and I am not counting on having it.

Senator FORSHAW—No. In the past that has always been put this way: 'The offer is on the table, and the longer you take ...'—

Senator Vanstone—But that is what the offer is. Okay?

Senator FORSHAW—Yes, I understand what the offer is. What you are saying is that the government is committed to it applying from the end of June—1 July last year—but that may change. That is what you are saying.

Senator Vanstone—I am not indicating that it may change. I am just saying that that is the offer that is there. You raise an interesting point that I will now turn my mind to.

Senator FORSHAW—Oh, you haven't turned your mind to that yet? I'm surprised you haven't, Minister. I want to now turn to employment services. Can you tell me how many business services there are and the number of employees currently working in them?

Ms Winzar—Yes, I can tell you that. In 2001-02—that is, the date of the last census, which was conducted, I think, at the end of June—we are basically looking at a total of 436 supported employment outlets and 15,618 consumers on the books.

Senator FORSHAW—Can you update the figures on the number of employees in the high-level need category? There were some figures provided in the June 2002 budget estimates.

Ms Winzar—Senator, I do not think I have that information to hand.

Senator FORSHAW—Can you take that on notice and give it to us on a state and Territory basis.

Ms Winzar—Split by state and Territory as well?

Senator FORSHAW—Yes, thank you. What are the latest statistics regarding waiting times for people with a disability who are seeking employment and training?

Ms Winzar—I do not have that data to hand either. Mr Halloran, can you help me on that?

Mr Halloran—No.

Senator FORSHAW—Could you take that on notice? Again, we would like the number of people waiting, on a state and territory basis, and the times, on a state and territory breakdown. Thank you.

Ms Winzar—Perhaps before we move onto something else, I should say that that information will be a little difficult for us to collect, because not all services will keep waiting lists and they will not necessarily report those to the department. But we will do the best we can.

Senator FORSHAW—If you can provide what you can, that will be appreciated. What is the time line and the process for implementation of case based funding?

Ms Winzar—The current situation is that the final evaluation report on the case based funding trial has been completed. We are now examining the results of that report, in consultation with the sector, and we will provide some advice to government on the appropriate next steps that we think are necessary.

Senator FORSHAW—Can you give me a little bit more of an indication as to when that might be done?

Ms Winzar—No. What I can tell you is that, following the evaluation report on the trial, there was a discussion paper that was released for public consultation. I think that process commenced in November. The consultation concluded pretty much in January, and the report of the results of those consultations has yet to be provided to government.

Senator FORSHAW—When is that expected?

Ms Winzar—We would hope to finalise it reasonably quickly, Senator, and have something to government within the next month.

Senator FORSHAW—Do you have a target date for the introduction of case based funding?

Ms Winzar—In a sense, we do, in that since last year, as we have been rolling out additional employment places to the sector through Australians Working Together, and so on, we have done that on the basis of a case based funding model rather than the existing block grants.

Senator FORSHAW—You are already implementing it on a phasing-in basis?

Ms Winzar—That is correct.

Senator FORSHAW—How many places would have been implemented in respect of it—that is, services and numbers of clients?

Mr Halloran—In relation to the new AWT employment places, at the moment there are approximately 1,045 that are currently using the case based funding model. In addition to that, there are a number of people in ongoing support that are using the case based funding maintenance levels, and those clients came through the trials.

Senator FORSHAW—How many in the second group, additional?

Mr Halloran—I do not have that figure.

Senator FORSHAW—Can you give us that information?

Mr Halloran—Yes.

Senator FORSHAW—Out of the 15,618 current clients, there are some 1,045 plus?

Mr Halloran—The 1,045 are both open employment and business services—potentially both categories—and they are the new AWT employment places that came out from September last year.

Senator FORSHAW—Could you take it on notice to give us a breakdown of that?

Mr Halloran—Certainly.

Senator FORSHAW—I have looked at the main findings of the CBFT case based funding trial final evaluation report. There are some interesting findings, at least from my reading of it. As a general comment, whether it was in phase 1 of the trial or phase 2, it would seem that, on the findings of the trial, a significant proportion of business services would find that their costs would exceed their CBFT funding. Let me quote one comment. I got this off the Net. I cannot give you a page reference, but it is under 9.6:

This indicates that the majority of business services would not be viable under DMI funding.

Am I misreading this document or does it actually say that a substantial proportion—in some cases, over 50 or 60 per cent—of businesses would find themselves worse off?

Ms Winzar—Senator, no, you are not misreading the document, but there are a couple of points that are worth noting. The evaluation report also made a couple of comments that need to be borne in mind.

Senator FORSHAW—It did say that some would be better off, but not many.

Ms Winzar—One of the comments that it made was that the number of business services that were examined as part of that cost attribution component of the evaluation was very small—from memory, I think it was about 20—and it concluded that it was difficult to draw

firm conclusions about costs and viability under the new funding model from that. The second observation that that report made was that the difference between the funding under case based funding and the costs incurred by those particular services had some basis in historical funding levels.

What I mean by that is that those that had the highest shortfall between the case based funding contribution and their apparent costs were also those services which had traditionally received the highest amount of block grant funding. That is understandable, if you think about it. If you have been getting a high level of funding, you have cut your cloth accordingly, so you have a higher ratio of support workers to consumers and you might have a different set of overheads in terms of your management structure and so on, whereas some of the lower funded services operate much more leanly and efficiently.

That raises a couple of questions for us. Firstly, what is the appropriate level of maintenance funding that should be included in case based funding for the future for business services? Secondly, if we look at trying to separate out business costs from support costs of employees, how can we make those sensible distinctions? I will give you an example which was conveyed to me recently. An organisation which was running a cleaning service had a team of four people, one of whom was the works supervisor, and they could all fit in a car together. Essentially, the ratio of staff to workers was one to three. In another setting, where you might be running an assembly line arrangement, you might be able to get away with one staff member to perhaps a dozen or even more workers. The setting is as important as the macro observation that you read out of the report.

Senator FORSHAW—With due respect, what you have just given me might be like what the minister complains about with the states. You can find all sorts of ways to interpret these things and argue your case accordingly.

Ms Winzar—Senator, in that evaluation report, those observations are made in terms of the size of the sample of business services and the basis for the high-cost services, lying in the historical funding levels. The other observations, including the example of the cleaning service versus the factory line, were provided to me yesterday by our service provider.

Senator FORSHAW—I am not suggesting in any way that what you are telling me is not a valid argument that is put, just as I say that, while the minister can be dismissive of the states—and I do not want to go back to the earlier issue about their responses to some of these funding issues—they would argue they have some valid arguments about the way in which these figures are calculated.

Let me move on. You have given me one example, but there were 21 examples in the study. If you are going to suggest that in the end the study was not a good evaluation to work off, because there were a limited number of service providers that were studied, you have to do better, I would have thought, than just refer to one example. The final evaluation report of this trial on case based funding, as I read it, suggests to me that there would be a lot of business services whose costs would exceed their case based funding. Many of these businesses, we know, already operate either at the margin or at a deficit. Indeed, that is a finding that has been recorded on a number of occasions.

My question then is this. Given the findings of the report, even though there might be some arguments about its application across the whole sector, why are you persisting with case based funding? More correctly, what is the government going to do—what is the department going to do—to ensure that businesses do not close and that clients do not find themselves missing out?

Ms Winzar—There are a few questions wrapped into that, so I will deal with the start of them, and prompt me if I forget some. The evaluation report made a number of other observations. One was that services in rural and regional Australia had higher overheads and, particularly, faced higher costs in relation to transport and other infrastructure requirements. In looking to implement the case base funding model for a business service, aspects like that have to be taken into account. Some of the other observations that were included in the report were around making sure that the funding levels for individuals who needed maintenance funding on the job were appropriate to their support needs. We have been continuing to do some work on that since the conclusion of that trial in terms of trying to quantify exactly what that maintenance support might be.

Our objective really in doing the case base funding trial was to test whether it was a suitable model for both open employment and business services. On the business services side, the report tells us that we need to do a little more work in trying to determine the appropriate levels of funding, certainly for some business services in some circumstances. Your further part of the question was this: what is the government doing to stop services from closing? Do I have that right?

Senator FORSHAW—Yes. If, as you have indicated, it is already being implemented by a phased-in basis—notwithstanding that the report suggests there are real problems, and there is a lot of concern in the sector, and you have not finalised the response to the evaluation, but it is being implemented nevertheless—what is the department going to do to ensure that business services do not wind up or close and, correspondingly, clients find themselves in difficulty?

Ms Winzar—Clearly that is our objective—to make sure that we do not compromise the future of services by introducing a funding model that is inadequate. That is why we are doing this further work. It may interest you to know that we have, for the last two years, been going through this reform process—which is not just about case based funding but also about some other significant changes to that sector—with an advisory group made up of service providers and a consumer representative to inform our thinking, not only around case based funding but also around quality assurance and related reforms. That has been a very useful process for us in very directly feeding back information on the impact that some of the changes we are proposing would have and coming up with some very constructive suggestions for services and, for us, on how to do it.

In terms of other things we are trying to do to improve the viability of the sector, we have been doing a lot of work with services around trying to get them to focus not only on their stream of funding from government, but also on improving their profit margin from their business operations—looking at things like the government's arrangements in the service and looking at what their current marketing strategy is and what their product line is. It is trying to encourage them to think about things like whether the margins they are currently receiving for their business are too small, whether their turnover is too small, whether they should be looking at other options like aggregating with another service, et cetera. There is a whole raft of things going on at the moment.

Senator FORSHAW—That is good. You are obviously aware of the problem. From what you have been saying about this, you regard it as a problem—a potentially serious problem. Can you guarantee that, as a result of the introduction of case based funding, business services will not close?

Ms Winzar—I am not in a position at this point in time to make that sort of guarantee. Frankly, it will be very difficult for some services which have historically been funded at very

high block grant levels to make the transition to a case based funding arrangement which links the funding directly to the support needs of the customers. The cost structures of individual services do vary quite dramatically. We might, for example, be talking about anywhere between \$2,500 a head up to \$15,000 or perhaps even more per head, which is not necessarily linked to the support needs of the consumers in those services.

Mr Halloran—Also, to give extra assistance to business services that may be in more difficulty, the department has a panel of three expert providers, KPMG, Walter and Turnbull and PricewaterhouseCoopers. Either at the request of the department or at the request of the service, we can engage one of those members of the panel to go and work with the business service—to look at aspects of their business, as Ms Winzar pointed out, to ensure that they are on a better footing, on more of a business footing, plus taking into account the individual client's needs. We hope that will be one part of assistance which will circumvent business services closing.

Senator FORSHAW—As I understand it, the essence of a case based system is that there is an allocation of time or a basis for using time for which the service works with the client. Can you clarify for me just how this funding will be calculated? I do not want it in detail.

Ms Winzar—There are two models which are out for public consultation at the moment. One is essentially a milestone model which would see a provider paid when the person signs up for their service and gives them perhaps up to a six-month window to assess the person's needs and work out the appropriate funding classification for them. During that time, the service would also get some assistance for the pre-employment support—for example, training they might offer the person—so they would get paid once they had completed that. Once they had placed the person into work in the service, they would get a payment. If they could sustain that for perhaps four weeks, they would get another payment. If they could keep it going up to 26 weeks, they would get a periodic payment recognising that getting sustainable employment outcomes is important for someone. If they needed to refer the person off to another service—perhaps they might refer them to an open employment service or perhaps Commonwealth rehab service—they would also get paid for making that assessment and doing that onwards referral. At the end of their first 12-month case based funding period, if the person was still in work, the service would receive maintenance funding to help them support that person in the job. That can last as long as a person stays working.

Senator FORSHAW—Right. As I understand it, the potential for the greatest impact could be on smaller businesses and/or those located in rural and regional areas. Is that correct?

Ms Winzar—Certainly some small services in rural and remote areas will find it quite difficult to make the transition to case based funding, but some of those will also—even with the existing model which is out for consultation at the moment—receive a considerable increase in their current funds. The other groups which I think will find it difficult are those who have to make the transition from a very high funding level to something less—once we have assessed their staff support needs and worked out their appropriate funding classification.

Senator FORSHAW—Thank you. Can I move to the contractual arrangements area. What are the reporting and accounting responsibilities of the business services in relation to funding contracts between the department and the services?

Mr Halloran—Senator, each service—both business services and open employment services—report to the department six monthly and 12 monthly on the progress of the contracted places they have with the department.

Senator FORSHAW—So it is done every six months, but it is a 12-month period, is it not, corresponding to the financial year?

Mr Halloran—It could be. I would have to check on that. I believe it to be six months and 12 months at the end of the financial year.

Ms Winzar—My understanding is that the funding and the targeted number of customers for each service is negotiated annually.

Senator FORSHAW—Yes.

Ms Winzar—Is that what you meant?

Senator FORSHAW—That is what I was getting at. You have a sort of tracking measure at the six-month point and then 12 months is where the assessment or measurement would be done for the purposes of further funding. Can those arrangements be changed?

Ms Winzar—Can the period of the contract be changed or can the reporting—

Senator FORSHAW—The reporting and accountant requirements—can they be changed during the period of the contract? I mean whether they can be changed by the department without notice or without consultation.

Ms Winzar—The level of contract we would have with a service would vary according to the service's needs. For example, if it came to our attention that a service was in trouble for some reason—financially or because it was not meeting its targets, and, generally speaking, we ask them to report to us if they are not meeting 75 per cent of their annual target—then we would have much more frequent contact with that service to find out if there was anything we could do to assist them.

Senator FORSHAW—It has been put to us that reporting and accounting requirements are changed or have been changed mid-term with little or no notice. For instance, I am advised that last year the reporting and accounting that was done at December, the six-month point, in effect became the measure for the whole of the year. If an organisation was on target at the six-month point they were okay, but if they were not it affected their funding for the following year. Is this true?

Mr Halloran—To my knowledge, that is not the case. We did not change the reporting requirements. The end of the six- and 12-month periods are when organisations report to the department. The only additional information we require from organisations may be where we ask them how things are going or how they might be reacting to particular initiatives of the department. But that is on a one-off basis. The only other time we asked them to report on performance was in relation to applying for new employment places, but it was not additional to what we had asked them before.

Ms Winzar—I do understand that it was their performance at the six-month point of the year, which would have been December, that was essentially used to determine any extra employment places under Australians Working Together. That may be what that refers to.

Senator FORSHAW—That was for extra funding.

Ms Winzar—That is correct.

Mr Halloran—Not for their current block grant funding.

Senator FORSHAW—I am glad you have been able to say that is not the case, but I would ask you to just check and advise us in case there was one you may not have been aware of. I am not suggesting that your answer is incorrect, but it has been put to us that this did occur.

Ms Winzar—We are happy to do that. If there is a particular service you draw to our attention, we are happy to check on it.

Senator FORSHAW—I do not want to go into that here, but we can follow that through.

Ms Winzar—Sure.

Senator FORSHAW—How often do departmental officials visit business services?

Mr Halloran—Each state and territory program manager would have their own program of visiting business services. That would primarily depend on the specific needs of those services and the locality of them.

Senator FORSHAW—I could have said that too. I understand that. I am not disputing it, but surely the department has statistics on the average number of visits the departmental officials make. You can take that on notice.

Mr Halloran—To my knowledge, we would not keep that information. We would have to survey our state and territory colleagues to find out approximately how many times they visit services.

Mr Sullivan—We might try and do that. There is no standard; that is an important thing to know. If we visited once a year it would not be unusual.

Senator FORSHAW—Sorry?

Mr Sullivan—If it was as infrequent as once a year, that would not surprise me.

Senator FORSHAW—Would you mind having a look at it?

Mr Sullivan—We will have a look and see whether we can come back with a basis for a response.

Senator FORSHAW—We have had groups say, ‘We don’t ever see a departmental official.’ I can appreciate that might be a criticism that is made with or without justification. The only way I can test it, I suppose, is to ask you to have a look at it.

Mr Sullivan—We will have a look at that.

Senator FORSHAW—Thank you. I now turn to the efficiency dividend. What is the status of the review relating to the efficiency dividend applied on disability services, which I understand was going to be undertaken in the lead-up to the 2002-03 budget? Did it occur?

Ms Winzar—There was a review conducted. The final outcome was that the efficiency dividend remains on the employment services appropriation but it has not been applied to services in 2002-03. What we have basically done is redirect funds from underused programs to cover the one per cent efficiency dividend which would otherwise have applied to those services.

Senator FORSHAW—Sorry, I did not hear the last part.

Ms Winzar—We redirected funds from underused programs to avoid having to impose the one per cent efficiency dividend on employment services.

Senator FORSHAW—How much did that amount to?

Ms Winzar—That is a good question.

Senator FORSHAW—Thank you. If you have not got it—

Ms Winzar—I am advised it was \$2.67 million.

Senator FORSHAW—What you are saying is that the review effectively decided that the efficiency dividend would continue, but you found a way to—

Mr Sullivan—Efficiency dividends across our programs are a matter for the government.

Senator FORSHAW—I know that.

Mr Sullivan—They continue to be imposed, but we have been able to find money within appropriations and not pass that imposition onto providers.

Senator FORSHAW—That is what I was understanding. Who undertook the review?

Ms Winzar—We had an internal examination of what the impact would be on services were we to continue to apply it, bearing in mind that we had effectively absorbed the dividend in the previous year. To reapply it would have meant a two per cent cut to services, offset by natural indexation. That would have left them in an almost no increase situation, which we assessed was untenable.

Senator FORSHAW—It was done internally.

Ms Winzar—That is correct.

Senator FORSHAW—Are you able to indicate the cost to the department of doing the review?

Ms Winzar—No, I am not. It was undertaken as part of the normal work of the officers who administer the appropriation. We could make an attempt to quantify the amount of time they spent on it.

Senator FORSHAW—Yes, if you would not mind. Thank you. Could we turn to the certification under the new quality assurance system? Can you give me a report on what is happening with business services to date, to ensure that they can reach certification under the new quality assurance system?

Ms Davies—He said arrangements have been put in place to assist services to meet the quality assurance standards which come into effect in December 2004. Those levels of assistance are things like help with audits, mentoring, networking, the production of a continuous improvement handbook, the production of a quality assurance handbook. Basically it is a range of supports that will help services meet those standards.

Senator FORSHAW—Can you indicate how many services you believe will successfully achieve certification by the end of 2004—and, obviously, how many will not?

Ms Winzar—I think it is too early for us to make an assessment of that. At the moment we have a total of 45 services. They are both open and supportive employment services who have been certified. None of the services which have gone through the assessment process have failed to date, and it would be our objective to try and make sure that none of them do, by the end of 2004.

Senator FORSHAW—That is the objective, but it has been stated previously that it was expected that some, to be absolutely correct, may not make it through the transition.

Ms Winzar—Yes, that is quite correct. There will be some who probably will not make it through the transition, but I think it is important that we aim high, in a sense, and try and get as many services through the QA system as we possibly can.

Senator FORSHAW—But is the statement you just made based upon an indication that you have some expectation of a number of services or is it more a bit of a safety valve, if you like, in case some do not make it?

Ms Winzar—We have not made a precise estimation of the number of services which we do not think would achieve the quality assurance standards. I think over the next 18 months or so there is a lot that we are asking services to do. We have a diagnostic tool that was released last month which assists services to go through a bit of a desk audit on whether or not they would meet the standards. As Ms Davies mentioned, the services can invite in a range of people to give them advice on where the gaps are between their current performance and what they would need to do to meet the standards. They can have, if you like, an audit. There is plenty of time for services to remedy any aspect of their business that might not meet the current service standards. What we would be saying at this point is that it is important that services do not delay too much in going through the certification process, because then they will not leave themselves any time to rectify anything that needs to be fixed.

Senator FORSHAW—If there are some services that ultimately do not make it through the process, what is the Commonwealth intending to do with them?

Ms Winzar—At this stage I guess we are more in the information collection phase than at the stage of making decisions about what might be done for services that do not meet the standard. When I say that, I am aware, for example, that at the moment we have identified some services which really are not employment services as such, but perhaps would be more appropriately reclassified as state based services. That might involve transferring some people in the employment services into state services, and transferring some people in state services into those business services. We can work on those sorts of arrangements, which would mean that people were getting services which were more appropriate to their needs and circumstances.

We also need to get a clear handle on the number of people in business services who, if you like, are unproductive workers—I think that is the term—and for which the service at the moment is providing certainly a service but not really as an employee. One example that was drawn to my attention was of a 73-year-old, who was still working in a business service. Whether or not that is by choice and whether or not that person is a productive employee or would be better placed in another service are things that need to be answered.

Senator FORSHAW—Have you started any discussions with the states about this—

Ms Winzar—We have been discussing how the Commonwealth and state services interface through our bilateral discussions with the states as part of the Commonwealth-state disability agreement arrangements.

Senator FORSHAW—But in terms of specifically indicating to them that there may well be some responsibility going back to them.

Ms Winzar—We have talked about that in some states, but we have also talked about the capacity of our business services to take people who are currently in their day services. But there is a range of other options which might be appropriate. Some services may wish to seek amalgamation with another nearby service, rather than continue alone. That would be a way of ensuring that the service itself continues, but perhaps not under the same name and administration. I think we have to be fairly flexible about which options will suit which services and the people that work in them.

Senator FORSHAW—At this point of time, you say that your objective is that they all make it through, they all become certified under the new system and, hopefully, the problem does not arise.

Ms Winzar—I think we have to do more than hope, but certainly at this stage we are doing all we can to make sure as many services become accredited as possible.

Senator FORSHAW—This is all due to become operational at the end of 2004. You said 45 have been certified. How many have you got to go?

Ms Davies—Senator, about 10 per cent.

Senator FORSHAW—Yes, that is just under 400-odd. What is your timetable for ensuring that they have all been checked?

Ms Davies—Our sense of it is that the pace is increasing; we expect that, once the new wages tool is out there, the rate of increase will go up higher.

Senator FORSHAW—Yes, but surely if it is due to come in at the end of 2004, you would have some earlier date than that by which all of the services would have been certified or know where they stand. What date is that?

Mr Halloran—Each service has a business plan by which they will become certified. They are working together with departmental project staff, so they would have notified a date by which they are going to become certified.

Senator FORSHAW—What I am wondering here is whether or not it could get towards the end of next year and you find there are still quite a lot that have not been certified. You then have a difficulty. I do not want to get into a debate about other portfolios, but that has happened in other government programs.

Mr Halloran—That would be the case if they had not met the requirements of the certification, not because of tardiness in actually entering into a process. We have an internal departmental process where we are working with the services to ensure that they embark on the process early enough, with enough time to become certified. However, should that service run into problems along the way, that would head off down another route of assistance.

Senator FORSHAW—Have you said to them, ‘Let’s ensure that you’ve completed the process by the end of 2003 or mid-2004’? Have you given them any date like that, so that you will then know whether or not some further work needs to be done in case they do not qualify?

Ms Davies—Under the legislation, services have to put in a notice of intent and a date of intent for meeting the requirements so that we are able to monitor progress.

Ms Winzar—The other thing that you may be interested to know is that we have scheduled a meeting with our state and territory program managers for next week, which will in part go to some of the questions that you have raised this evening. We will be particularly looking for their advice on which services they think are most at risk of not meeting the standard so that we can work with them as early as possible.

Senator FORSHAW—How was the quality assurance handbook distributed?

Ms Davies—It was distributed to all service providers.

Senator FORSHAW—What was the printing and distribution cost?

Ms Winzar—I will have to take that one on notice.

Senator FORSHAW—Thank you. The toolbox being developed by ACROD was referred to in the previous Senate estimates. Has that been finalised?

Ms Winzar—The toolbox is something which is continually under review. At the moment it has just been updated. You can find a copy of that on the ACROD site, and it will be on the FaCS web site, I think, within a week or two.

Senator FORSHAW—That is not going to be printed and distributed?

Ms Winzar—The toolbox is, as I understand it, a collection of resources really, as much as anything else.

Senator FORSHAW—I am trying to understand. This was given in answer to a question asked by Senator Bishop back in June last year. It says:

A Continuous Improvement handbook with information on practical ideas on continuous improvement activities will be sent to service providers shortly. Other supports include a 'tool box' of assistance developed through the collaborative partnership of ACROD and the Business Services Review Implementation Group, chaired by Mr Nobby Clark.

I would like some more information about what it is, whether it has been prepared, whether it has been distributed and what it cost. It is something that is put on the Net. Is that what you are telling me?

Ms Winzar—Yes, that is correct.

Senator FORSHAW—It is on the Net now?

Ms Winzar—Yes. You can access it via the ACROD web site at the moment.

Senator FORSHAW—You would agree, I am sure, that a number of business services exist in premises that are somewhat old and need upgrading. Has any assessment or survey of the infrastructure of business services been undertaken?

Ms Winzar—Not that I am aware of.

Senator FORSHAW—Is there any support available to assist those businesses in infrastructure or capital important?

Ms Winzar—No. The current funding arrangements under our employment services appropriation do not allow for capital works.

Senator FORSHAW—Under the quality assurance system, this would be a relevant factor, wouldn't it?

Ms Winzar—Quality of premises?

Senator FORSHAW—Yes.

Ms Winzar—In terms of meeting OH&S guidelines and so on?

Senator FORSHAW—Yes.

Ms Winzar—Yes.

Senator FORSHAW—If a business fails or cannot meet the appropriate standards because of the state of its premises, what assistance, if any, might it be able to access to improve its infrastructure? Or is that something to be considered?

Ms Winzar—I think it is something to be considered. It seems to me that, for some services, relocating to more appropriate premises might be appropriate. Going in for lease arrangements rather than ownership arrangements might be a solution for them. But what strategies might be appropriate will very much depend on the feedback that we get through the certification process as to which particular standards are causing difficulties for which services.

Senator FORSHAW—I appreciate that there can be a range of situations, which is why I asked the first question about whether you had any information or whether there had been any assessment on that part of the quality assurance criteria. That has not been done by the department?

Ms Winzar—It has not been done by the department, no.

Senator FORSHAW—Can we now move to the wage assessment tool of Disability Services Standards 2002, standard 9. How are business services currently determining their wages, considering that there is no single wage assessment tool?

Ms Davies—Standard 9 has a set of criteria. It does not stipulate a particular tool. So long as the tool itself meets those criteria, it can meet the standard.

Senator FORSHAW—I appreciate that. How are they currently determining their wages? By a variety of means? Is that what you are saying?

Ms Davies—To my knowledge there are a couple of tools available. There is the supported wage system, and some services have their own tools that are likely to meet the standard.

Senator FORSHAW—Can business services be certified at the moment without the use of a single wage assessment tool?

Ms Davies—Yes, that is possible.

Senator FORSHAW—Has the government received any complaints from business services in relation to how to assess wages in the lead-up to certification?

Ms Winzar—I am not sure that we have received any complaints per se. We have had a lot of feedback about the need for any wage assessment tool to be transparent, able to be easily used and able to deliver fair wages for people. Some concern has been expressed that the wage assessment might be too high.

Senator FORSHAW—When a service contacts the department and says, ‘Look, we understand there is a new wage assessment tool coming in that’s been developed, but we want to work out our wage structure at the moment,’ what do you tell them?

Mr Halloran—A business service is not required to use the new wage assessment tool. There are other assessment tools in the marketplace. They can use those, or they can develop their own tool, as long as it is ratified through the appropriate industrial relations court. The department would seek to provide advice and assistance to the business service about the tools that are in the market and, should they choose not to use one of those, how they might go about developing their own.

Senator FORSHAW—Turning to the new wage assessment tool, then, the web site of the department said:

The new assessment tool will be based on the existing Supported Wage System tool used in measuring employee productive capacity in open employment but adapted to the supported employment environment.

The web site has an update information sheet which says:

The new wage assessment tool for business services has been developed, trialled and is currently being refined with the final product due early next year.

That means this year. Can you tell me what the current position is with the new wage assessment tool?

Ms Davies—We expect to release the new tool in April this year.

Senator FORSHAW—That does not sound to me like ‘early next year’. It seems a little bit later than ‘early next year’.

Ms Davies—That is true. That is because, when the tool was being piloted, we looked at things like regions, specialities, size, industry, worker characteristics. We did not quite get the

coverage that we wanted, so we are doing about a further 100 assessments to make sure the tool is as robust as it can be.

Senator FORSHAW—The development of this tool was tendered out to an agency, wasn't it?

Ms Winzar—That is correct.

Senator FORSHAW—Can you give me some information on the tendering process for the development of the tool?

Ms Davies—I will have to take that on notice.

Senator FORSHAW—We would like to know when the tenders were called, the time line, the process that was involved, the costs, and who was successful.

Ms Davies—I can tell you who was successful.

Senator FORSHAW—Good.

Ms Davies—Health Outcomes International was the organisation that was the successful tenderer.

Senator FORSHAW—Can you tell me when they will commence to offer assessments using the tool?

Ms Davies—We expect the assessments using the new tool to commence virtually immediately after it is released.

Senator FORSHAW—The date on the web site of July 2003 is still operative, is it? Okay. You have taken it on notice. If you can give us as much information as possible about the development of the tool, that will be very helpful. Which organisations were consulted in the development of the wage assessment tool? Do you know?

Ms Davies—There was a reference committee which included the disability caucus, the ACTU, ACROD and the National Disability Advisory Council.

Senator FORSHAW—What mechanisms were used to trial the draft wage assessment tool?

Ms Davies—HOI piloted the new tool during September and October last year in three states—Victoria, Queensland and South Australia—and we tried to get a mix of size, region, speciality, et cetera. As I said, it did not quite give us the coverage that we wanted, so we are doing a bit of extra testing.

Senator FORSHAW—Is there a report from that trial?

Ms Davies—We do not have a finalised report, because we have extended the process a little.

Senator FORSHAW—Is there a draft report?

Ms Davies—Probably not in a format that would be useful.

Senator FORSHAW—You have pre-empted my next question. We did get the one on the case based funding trial. However, if there is a draft, I would ask that the committee be provided with it.

Ms Davies—Yes, Senator.

Senator FORSHAW—What were the costs in relation to that trial?

Ms Davies—I think that organisation was given \$280,000.

Senator FORSHAW—How long did it last? You said three states.

Ms Davies—Yes—for two months last year.

Senator FORSHAW—There is some finetuning work being done, you have just said. Who is doing that?

Ms Davies—HOI.

Senator FORSHAW—The same consultancy?

Ms Davies—Yes.

Senator FORSHAW—Is there an additional payment for their services?

Ms Davies—I am not sure. I will have to check.

Senator FORSHAW—Could you check that. If there is, how much are they being paid? Will the revised wage assessment tool be provided for comment to the organisations and the community before it is implemented?

Ms Davies—It will be given to the reference committee to check before it is released.

Senator FORSHAW—This is all to happen between now and July this year. Can you explain to me how the new wage assessment tool fits in with the new quality assurance scheme which has been passed by the parliament?

Ms Davies—As I said before, you have to meet a series of criteria. The new tool is not mandated, so the services can choose to use the tool as long as it meets that criterion. They can be accredited.

Mr Sullivan—But if they choose to use the tool, it will mean that they meet the standard required.

Senator FORSHAW—I understand that.

Mr Halloran—It gives them a mechanism to assess the productivity of the particular client and then, based on that assessment, pay a percentage of the award wage. It is the ability to pay that percentage of the award wage that is the key issue. The wage assessment tool will come up with the assessment of the level that they should be pegged at on the award wage. Having the tool will not necessarily ensure that they satisfy criterion 9; it is the ability to pay award wages that is the key.

Senator FORSHAW—It is something that I am always happy to support. The option to use the new wage assessment tool, or some other means, will still be available, I understand, after July. What is your expectation about the number of business services that might, over time, elect to use this tool in preference to some other formula?

Ms Winzar—I think it is far too early for us to make that determination. Some people have suggested to us that it will over time become the default industry standard, and that may well be if it proves to be easy for assessors to administer and for services to understand. But, equally, it may well be that some individual business services prefer to maintain their own existing mechanism. What we do know is that a lot of services are waiting for this wage assessment tool to come out, so we expect that many services will pick up its usage pretty quickly.

Senator FORSHAW—Having spent a fair amount of time and money on the process, you would be hoping that the majority of services would ultimately pick it up, wouldn't you?

Ms Winzar—Either that the majority of services would pick it up or that it would provide a model assessment for them to deliver against standard 9 in some other way. Perhaps that might be through modifying their own tools.

Senator FORSHAW—I am wondering then why ultimately it is not in the quality assurance standards, or will not be in them. Is it the intention at some point to put that into the standards?

Ms Winzar—The short answer to that is that there were some services who specifically suggested that they would like to keep using the tool that they were using; they did not want to move to a new standard, so the decision was that it would not be mandated.

Senator FORSHAW—Well, they had a win. Did I ask you about the tendering process for the agency that will administer the final wage assessment tool? I am not sure. Can you give the committee some information about that process, the costs, et cetera?

Ms Davies—That tender has just been finalised, so I cannot give you the outcome. I do not have the cost of the process with me. I will take it on notice.

Senator FORSHAW—So the tender has been called for.

Ms Davies—The tender was advertised but we have not finalised the process.

Senator FORSHAW—When was it advertised?

Ms Davies—October?

Ms Winzar—It closed at the end of January.

Senator FORSHAW—We can no doubt pursue that at the next round. My final set of questions is about the National Disability Advisory Council. I have a list here of members of the National Disability Advisory Council, but I would like to know which organisations or community groups they represent. I can give you the names. Do you have the information here?

Ms J. Wilson—The actual formation of the council, which was about six years ago, was not based on representation of particular organisations per se. The individuals were chosen on a range of criteria, but one of the big issues was that they had direct experience of disability as a person with a disability, as a service provider or as a carer. We had councils prior to that where the department and the minister sought nominations from peak disability organisations but people would bring the issues of the organisations to the table rather than being able to think more broadly and comment on policy or program issues that were being brought to the council. When the process was called for in 1996 and the new council was formed, there was a step away from seeking nominations from peaks, although particularly the national disability peaks were actively encouraged to put forward people who had a breadth of knowledge and direct experience of disability.

Senator FORSHAW—Is what you are saying to me that they do not specifically represent groups or organisations?

Ms J. Wilson—That is right.

Senator FORSHAW—Do you know which groups or organisations they are associated with? They would not just come out of nowhere.

Mr Sullivan—I am sure we can give you a CV for each of the members and some of the organisations they are part of.

Senator Vanstone—Which would indicate the skills we think they would bring to the council.

Ms J. Wilson—That is right.

Senator FORSHAW—That would be very good. You can take that on notice and save us a bit of time. I was particularly wanting to know which particular organisation or community group they either represented or were associated with, but if you can provide us with a CV of each of the members which gives us the information, that is fine.

Minister, you might be able to tell me this—I am sure you can. Since the beginning of last year, January 2002, how many meetings of the council have you attended?

Senator Vanstone—I could not tell you. I would have to look it up.

Senator FORSHAW—Could you let us know.

Senator Vanstone—Yes.

Ms J. Wilson—I think I can answer that question.

Senator Vanstone—Good. There are so many of these groups, and some of the people are the same people; they just merge into one.

Senator FORSHAW—This is the National Disability Advisory Council. This is it. You would know if you were there.

Ms J. Wilson—Over 2002, the council held four meetings. The minister personally attended two, and her adviser attended all of them.

Senator FORSHAW—Have you produced a report? I understand that the last report that is on the web site was dated 1999. Have there been any reports since then?

Ms J. Wilson—There have been several reports since then. They should all be on the web site. I can check for you, if you like.

Senator FORSHAW—You check. That is not the advice I have.

Ms J. Wilson—I actually saw the update from the December meeting in the last week or so.

Senator FORSHAW—I might have pressed the wrong button.

Senator Vanstone—You should have come along to the last meeting. It was International Disability Day in December.

Senator FORSHAW—I do not think I was invited. I am not on the list.

Senator Vanstone—We will make sure he is invited next time.

Senator FORSHAW—Thank you.

Senator Vanstone—We had a launch of some tremendous stuff. It was in this room, wasn't it?

Ms J. Wilson—Yes, it was. Senator, can I just clarify that you would like me to provide you with copies of all subsequent updates from council?

Senator FORSHAW—Yes.

Ms J. Wilson—After every meeting they produce an update.

Senator FORSHAW—Good. If we could be provided with that, it would be good.

Senator Vanstone—Just to clarify, what you should have been invited to was the launch, not the actual advisory council meeting.

Senator FORSHAW—Yes. I am sure I was not invited, but I am sure I have a reason if I was. I was probably somewhere in another part of the building. The report presumably lists the achievements et cetera of the council and what is being done.

Ms J. Wilson—The updates report the key agenda items discussed at the meeting and a particular focus. It is distributed to all national disability peaks and whoever has contacted the council and asked for it to be sent out to them. It goes to state government, a range of Commonwealth government departments and state disability advisory bodies. There is quite an extensive mailing list.

Senator FORSHAW—Are those reports the same as the minutes of the meetings or are they separate minutes?

Ms J. Wilson—It is a summary of key discussion items. There are no separate minutes apart from that.

Senator FORSHAW—But you will provide those other documents.

Ms J. Wilson—Sorry, the updates?

Senator FORSHAW—Yes, the updates.

Ms J. Wilson—There is also this strategic plan of council which talks about the vision and the key areas they plan to work with for the period of the council.

Senator FORSHAW—Good. We might have that, but you can include that. Can you tell us what activities the council working groups have been undertaking?

Ms J. Wilson—The council has a range of working groups. They are largely formed on the basis of the key issues currently under discussion, or the issues that the minister has asked the council to discuss and report back to her on. To give you the names of a few, there is the Commonwealth State Territory Disability Agreement; there is one on employment; and there is one on community housing accommodation and deinstitutionalisation.

Senator FORSHAW—You have the same list as me.

Ms J. Wilson—Off the Internet?

Senator FORSHAW—Yes. Welfare reform and income support, health care/ageing/disability interface.

Ms J. Wilson—Yes.

Senator FORSHAW—Education and training, rights of access. Can you tell me what they are doing or what they have done?

Ms J. Wilson—I cannot tell you in specific detail about each of these groups because the membership of those groups consists largely of the individual council members. There is a member of the executive team who chairs each of those groups. I can seek an update from the council if you would like it.

Senator FORSHAW—Would you do that for us on each of those? That will be very helpful. That completes my questions on disability. Thank you very much.

CHAIR—No further questions. Thank you, Minister, Mr Sullivan and all the officers for your cooperation. I declare the meeting closed. Thank you, Hansard. Thank you, secretary.

Committee adjourned at 6.53 p.m.