

The Senate

Standing Committee on
Finance and Public Administration

Additional estimates 2008–09

March 2009

ISBN 978-1-74229-049-2

Committee address

Finance and Public Administration Committee

SG.60, Parliament House

CANBERRA ACT 2600

Tel: 02 6277 3530 Fax: 02 6277 5809

Email: fpa.sen@aph.gov.au

Internet: www.aph.gov.au/senate_fpa

Printed by the Senate Printing Unit, Parliament House, Canberra.

Membership of the Committee

Senator Helen Polley (Chair)	ALP, TAS
Senator Cory Bernardi* (Deputy Chair)	LP, SA
Senator Doug Cameron	ALP, NSW
Senator Jacinta Collins	ALP, VIC
Senator Sarah Hanson-Young	AG, SA
Senator Claire Moore	ALP, QLD
Senator Stephen Parry	LP, TAS
Senator Scott Ryan	LP, VIC

* Senator Mitch Fifield was Deputy Chair of the committee during the estimates hearings, and was replaced by Senator Bernardi on 10 March 2009

Participating members

Senators Abetz, Adams, Arbib, Barnett, Bernardi, Birmingham, Bishop, Bilyk, Boswell, Boyce, Brandis, B. Brown, C. Brown, Bushby, Cash, Colbeck, Coonan, Cormann, Crossin, Eggleston, Farrell, Feeney, Fielding, Fisher, Forshaw, Furner, Hanson-Young, Heffernan, Humphries, Hurley, Hutchins, Johnston, Joyce, Kroger, Ludlum, Lundy, Macdonald, Marshall, Mason, McEwen, McGauran, McLucas, Milne, Minchin, Nash, O'Brien, Payne, Pratt, Ronaldson, Scullion, Siewert, Stephens, Sterle, Troeth, Trood, Williams, Wortley, Xenophon.

Secretariat

Christine McDonald	Committee Secretary
Jane Thomson	Senior Research Officer
Bill Bannear	Research Officer
Samantha Ferry	Executive Assistant

TABLE OF CONTENTS

Membership of the Committee	iii
Additional Estimates 2008–09.....	1
Introduction	1
Portfolio coverage	1
Restructure of portfolios.....	1
Hearings.....	2
General issues	2
Portfolio Issues	7
Department of the Senate	7
Department of Parliamentary Services.....	7
Prime Minister and Cabinet portfolio.....	8
Finance and Deregulation Portfolio.....	14
Human Services Portfolio.....	17
Appendix 1	19
Departments and agencies under the Committee's oversight	19
Parliamentary departments	19
Prime Minister and Cabinet Portfolio	19
Finance and Deregulation Portfolio.....	19
Human Services Portfolio.....	20
Appendix 2	21
Outcome / Output Structure.....	21
Department of the Prime Minister and Cabinet.....	21
Appendix 3	23
Index to Hansard Transcripts	23

Additional Estimates 2008–09

Introduction

1.1 On 4 December 2008, the Senate referred to the Finance and Public Administration Committee (the committee) for examination and report the following documents:

- Particulars of proposed additional expenditure in respect of the year ending on 30 June 2009 [Appropriation Bill (No. 3) 2008–2009];
- Particulars of certain proposed additional expenditure in respect of the year ending on 30 June 2009 [Appropriation Bill (No. 4) 2008–2009];
- Final Budget Outcome 2007–08; and
- Issues from the Advance to the Finance Minister as a Final Charge for the year ended on 30 June 2008.¹

Portfolio coverage

1.2 The committee has responsibility for examining the expenditure and outcomes of the:

- Parliamentary departments;²
- Prime Minister and Cabinet portfolio;
- Finance and Administration portfolio; and
- Human Services portfolio.

Appendix 1 lists the departments and agencies under the portfolios mentioned above.

Restructure of portfolios

1.3 The committee notes that the *Administrative Arrangements Order* of 25 January 2008, amended 1 May 2008, made one change to the Prime Minister and Cabinet (PM&C) portfolio. Effective from 1 July 2008, Old Parliament House commenced operation as an executive agency under the *Public Service Act 1999*.³

1.4 There has also been a change to the PM&C output structure, with the addition of the Pacific Island Forum (1.5.9) to output group 1.5 (Support Services for

1 *Journals of the Senate*, 4 December 2008, p. 1446.

2 As a matter of comity between the Houses, it is traditional that neither House inquires into the operations of the other House. For this reason, neither the annual report of, nor the proposed expenditure for, the Department of the House of Representatives is referred to a Senate committee for review.

3 Prime Minister and Cabinet Portfolio, *Portfolio Additional Estimates Statements 2008–09*, p. 3.

Government Operations). A full listing of outcomes and outputs can be found at appendix 2.

Hearings

1.5 The committee held public hearings on Monday 23 and Tuesday 24 February 2009. Over the course of the two days' hearings—totalling over 21 hours—the committee took evidence from the President of the Senate, Senator the Hon John Hogg; Senator the Hon John Faulkner, Cabinet Secretary and Special Minister of State, representing the Prime Minister and the Minister for Finance and Deregulation; Senator the Hon Nick Sherry, Minister for Superannuation and Corporate Law, representing the Minister for Finance and Deregulation; Senator the Hon Joe Ludwig, Minister for Human Services; and Senator the Hon Penny Wong, Minister for Climate Change and Water, together with officers of the departments and agencies concerned.

1.6 The following agencies were released from the hearings without examination: Australian Institute of Family Studies; National Archives of Australia; Office of the Commonwealth Ombudsman; Office of National Assessments⁴; Old Parliament House; Australian Reward Investment Alliance; The Commissioner for Superannuation; CRS Australia; Australian Hearing; and Health Services Australia.

1.7 Copies of the committee's transcript of evidence are tabled in two volumes of *Hansard*. Copies of *Hansard* are available on the internet at the following address: www.aph.gov.au/hansard.⁵

1.8 In accordance with Standing Order 26, the date for submission to the committee of written answers or additional information relating to expenditure is Thursday, 9 April 2009.

1.9 Further written information furnished by departments and agencies will be tabled, as received, in the Senate. That information is also available on the committee's internet page: www.aph.gov.au/Senate/committee/fapa_ctte/estimates/index.htm.

General issues

Operation Sunlight

1.10 The Government's reform agenda to improve the openness and transparency of public sector budgetary and financial management and to promote good governance practices was contained in *Operation Sunlight – enhanced budget transparency; a practical suite of measures to enhance budget transparency* re-released on 16 April

4 Officials from the Office of National Assessments did appear briefly before the committee but no questions were put.

5 Appendix 3 provides an index to the Hansard transcripts.

2006.⁶ In 2008, budget transparency issues contained in Operation Sunlight were reviewed by then Senator Andrew Murray. The Murray review and Government responses were publicly released in December 2008.⁷ The Government had revised the original document to report on initiatives already implemented and to incorporate further reforms. This updated document is now presented as *Operation Sunlight – Enhancing Budget Transparency*.⁸

1.11 During Additional Estimates, a number of matters pertaining to *Operation Sunlight – Enhancing Budget Transparency* were discussed.

The ordinary annual services of government

1.12 In the course of the examination of the Department of the Senate, issues in relation to the ordinary annual services of government were canvassed. The Clerk of the Senate, Mr Harry Evans, noted that, although the Senate had established a definition for ordinary annual services more than 40 years ago, this was no longer adhered to strictly. As a result, expenditure is incorrectly included in the appropriation bills for the ordinary annual services of government. The Clerk commented that 'the government collectively, which in reality means the Department of Finance and Deregulation, adopted the view that anything under an existing outcome is part of the ordinary annual services'. He went on to state:

As you know, the outcomes are extremely broad, vague and all-encompassing so completely new programs are turning up in the ordinary annual services bill. This was pointed out by the Audit office, and it has certainly been taken up by the Appropriations and Staffing Committee. This situation is not in accordance with the past determinations of the Senate on the subject...⁹

1.13 The Clerk noted that the Senate Appropriations and Staffing Committee had reported on the matter a number of times but that the Government had yet to respond to the committee. However, the need to resolve the issue was highlighted by the Clerk:

6 This discussion paper largely restates the paper released by Mr Lindsay Tanner MP, then Opposition Shadow Minister for Finance, on 24 October 2005 with the same name.

7 Senator Andrew Murray, *Review of Operation Sunlight: Overhauling Budgetary Transparency*, June 2008, www.finance.gov.au/financial-framework/financial-management-policy-guidance/operation-sunlight/docs/budget-transparency-report.pdf (accessed 2.2.09); Australian Government, *Commonwealth Government Response*, June 2008, <http://www.finance.gov.au/financial-framework/financial-management-policy-guidance/operation-sunlight/docs/official-government-response-to-murray-report.rtf> (accessed 2.2.09).

8 Australian Government, *Operation Sunlight – Enhancing Budget Transparency*, December 2008, www.finance.gov.au/financial-framework/financial-management-policy-guidance/operation-sunlight/docs/operation-sunlight-enhancing-budget-transparency.rtf (accessed 10.3.09).

9 Mr H Evans, Clerk of the Senate, *Estimates Hansard*, 23.2.09, p. 4.

Something will have to be done soon because there is always something that puts this problem on the backburner, and currently it is the global financial crisis. We cannot deal with this problem with the ordinary annual services while the global financial crisis is threatening. There is always something that shoves this problem to the back of the queue, but something will have to be done soon, otherwise the distinction between ordinary annual services and everything else will be lost. We will soon get to a situation where there is only one bill presented and the other bill disappears altogether, and that would be a great loss for accountability because you then simply cannot distinguish between the ordinary ongoing normal expenditure of government and new expenditure.¹⁰

1.14 As articulated by the Clerk, the distinction between expenditure on the ordinary annual services of government and other expenditure provides a useful tool for parliamentary scrutiny and accountability in addition to ensuring compliance with the relevant Constitutional provisions (sections 53 and 54) for the appropriation of revenue or moneys. This committee's 2007 report *Transparency and accountability of Commonwealth public funding and expenditure* and the Murray review both supported the need to isolate the ordinary annual services as is provided for in the Constitution. It was recommended that the Senate continue to seek clarification from the Government about what should be included in the different appropriation bills and that the Senate should then form a view as to the appropriateness of the split. When any differences are resolved to the satisfaction of the Senate, the now Department of Finance and Deregulation should be required to monitor and enforce the split.¹¹

1.15 The committee notes that the reform agenda, *Operation Sunlight – Enhancing Budget Transparency*, states that the 'Government is considering proposals to put to the Senate to clarify the allocation of items between the Appropriation Bills'.¹² However, given the importance of this matter to effective Senate scrutiny and the continuing misallocation of expenditure between appropriation bills, the committee considers that the matter should be addressed as quickly as possible.

Recommendation 1

1.16 The committee recommends that the Government respond to the Standing Committee on Appropriations and Staffing reports on the ordinary annual services of government as a matter of priority.

10 Mr H Evans, Clerk of the Senate, *Estimates Hansard*, 23.2.09, p. 5.

11 Senate Finance and Public Administration Committee, *Transparency and accountability of Commonwealth public funding and expenditure*, Recommendation 8, p. 41; Senator Andrew Murray, *Review of Operation Sunlight: Overhauling Budgetary Transparency*, June 2008, Recommendation 4, p. 12.

12 Australian Government, *Operation Sunlight – Enhancing Budget Transparency*, December 2008, p. 11.

Implementation of Operation Sunlight

1.17 The Department of Finance and Deregulation (Finance) indicated that the policy objectives contained in Operation Sunlight are being implemented. Ms Kathryn Campbell stated that throughout 2008 all outcome statements were reviewed by a team within the department and any changes will be included in the budget papers for 2009–10. She noted that guidance will be provided to agencies on the development of the portfolio budget statements.

1.18 Finance also noted that, as part of the changes, each outcome will list the programs that contribute to that outcome and there will be key performance indicators identified for each program. Targets for each of the programs will be included within the outcomes, where feasible, and the annual reports of agencies for the following year will report achievements against those targets.¹³ One such example is that of Centrelink targets which could include the number of benefits paid per hour or the accuracy of benefit payments. The Secretary of Finance, Dr Ian Watt, noted that 'it is an estimate of how you perform your task'.¹⁴

1.19 The committee welcomes the review of outcomes undertaken by Finance. For too long, outcomes have been worded in extremely general and vague terms and couched in aspirations rather than purposes for which the money is appropriated. This has led to difficulties in ensuring accountability of government expenditure as instances have been identified where the purpose of expenditure is unknown until the expenditure takes place. This lack of clarity has also resulted in Senators being unable to identify the appropriate areas in which to ask questions during estimates hearings leading to missed opportunities and weakened oversight.

1.20 The inclusion of program-level information in outcomes is also a welcome addition and one that was recommended by the committee in its transparency and accountability report.¹⁵ Program-level information with key performance indicators will do much to enhance the transparency of government activities and assist the Parliament in its work.

1.21 Finance will hold a briefing for industry on the implementation of Operation Sunlight and the policy and process implications for the financial operations of the Australian Government at the end of March 2009. Briefings will also be held for members of the Australian Public Service. However, according to information

13 Ms K Campbell, Department of Finance and Deregulation, *Estimates Hansard*, 24.2.09, pp 54–55.

14 Dr I Watt, Secretary, Department of Finance and Deregulation, *Estimates Hansard*, 24.2.09, p. 55.

15 Senate Finance and Public Administration Committee, *Transparency and accountability of Commonwealth public funding and expenditure*, Recommendation 8, p. 41; Senator Andrew Murray, *Review of Operation Sunlight: Overhauling Budgetary Transparency*, June 2008, Recommendation 13, p. 52.

available to the committee, no briefings are planned for Parliamentarians and their staff.

1.22 The committee is concerned that without adequate briefing, Senators will not be appropriately equipped to thoroughly examine the impact and implications of such changes. Whilst such changes are directed at improving accountability and transparency, briefing Parliamentarians and their staff is essential to ensure that the particulars of Operation Sunlight are appreciated and can therefore be subject to rigorous investigation. Indeed, the effectiveness of Operation Sunlight will be determined in part by the ability of Senators to scrutinise and examine the reforms contained in it.

Recommendation 2

1.23 The committee recommends that the Department of Finance and Deregulation conduct briefings for members of the Parliament and their staff on the implementation of Operation Sunlight.

Recommendation 3

1.24 The committee recommends that the Department of Finance and Deregulation publish, on a quarterly basis, a newsletter for members of the Parliament to keep members informed about the progress of the implementation of Operation Sunlight.

Portfolio Issues

2.1 The following discussion highlights some of the major issues canvassed during the hearings.

Department of the Senate

2.2 During questioning of the Department of the Senate, the President, Senator the Hon John Hogg, advised the committee that he expected a balanced budget for the Department of the Senate for the 2008–09 financial year, following several years of surpluses. The main reason for this change has been increased committee activity following a lull during the 2007 election period. According the Clerk of the Senate, Mr Harry Evans, the increased cost of committee activity was estimated to be about \$1.3 million. The establishment of new select committees accounted for a large proportion of the increased cost.

2.3 Other matters of interest raised during the examination of the Department of the Senate included the continued use of the Lord's Prayer in the Senate.

Department of Parliamentary Services

2.4 Issues relating to the increasing cost of electricity were discussed with Mr Alan Thompson, Secretary of the Department of Parliamentary Services (DPS). Mr Thompson informed the committee that DPS is expecting a \$700,000 rise in the overall cost of electricity per annum for Parliament House from 1 July 2009. This represents an increase of just under 30 per cent from the previous contract.

2.5 The electricity contract which DPS entered into three years ago will expire on 30 June 2009. The new agreement is part of a whole-of-government tender. When asked whether DPS could have done better with an individual contract, Mr Thompson replied that he believed that DPS would get 'the best buying power by combining our needs with those of other very big agencies like the Department of Defence'¹. The increase in cost appears to be the direct result of a decrease in surplus electricity since the last contract was negotiated.

2.6 The committee inquired into the status of web-casting of Parliamentary activities. Currently, DPS has the capacity to stream seven events at once. In a sitting week, this could include both Houses of Parliament and up to five committees. In response to consumer demand, the system was upgraded on 12 February 2009 to allow 1080 people to access the web-casting service concurrently.

2.7 A discussion of security at Parliament House included two main issues. Firstly, the committee inquired into the current access arrangements for Members, Senators and parliamentary staff. DPS was asked if analysis had ever been undertaken

1 Mr A Thompson, DPS, *Estimates Hansard*, 23.2.09, p. 7.

into the security risk posed by Members, Senators and parliamentary staff. The committee was informed that State Parliaments do not screen elected members upon entry to the building, as they are not perceived to be a security risk. DPS agreed to look into the history of the decision to screen elected members at Parliament House. The committee noted there were extra costs involved in maintaining separate security entrances for Members and Senators.

2.8 The committee also discussed the security policy in place for the security bollards situated on the slip roads to Parliament House. DPS confirmed that they are currently implementing a new policy that is designed to cut down on the approximately 8000 passes that previously allowed vehicle access to sensitive parts of the building. The President stated that he was due to receive a security briefing from DPS in the week following Additional Estimates, and indicated the comments made would be taken on board.

Prime Minister and Cabinet portfolio

The Department of the Prime Minister and Cabinet

2.9 The Department of the Prime Minister and Cabinet (PM&C) was questioned as to what steps it had taken to enhance transparency and accountability following the publication of the Australian National Audit Office (ANAO) report 'CMAX Communications Contract for the 2020 Summit'. Mr Mike Mrdak, Deputy Secretary of PM&C, indicated an internal audit review of procurement practices had been undertaken in 2008 in advance of the ANAO report. In addition:

- the chief executive's instructions in relation to procurement had been updated;
- training courses and information sessions on procurement issues had been conducted for staff to ensure that staff undertaking procurement are aware of the regulatory requirements; and
- the decisions in relation to contract procurement were being properly documented.

2.10 Mr Mrdak concluded:

Finally, we have taken steps to ensure that all of our senior management is well aware of the procurement guidelines as they apply and operate. So we have taken those steps, and we have also implemented a number of measures which the internal auditor advised in relation to our tracking of contracts and the central corporate advice and support we provide to our line areas in relation to procurement.²

2.11 Following this discussion of the ANAO report, PM&C was asked for a costing of consultancy contracts across Government in the first year of the current

2 Mr M Mrdak, PM&C, *Estimates Hansard*, 23.2.09, p. 47.

Government. An article in the *Australian Financial Review* had put this cost at \$553 million³. However, the Special Minister of State commented that using the figure for comparison may not be a case of comparing 'apples with apples'.⁴ It was noted that contracts listed on AusTender are maximum contract amounts and actual expenditure is often lower. For this reason, the most accurate reporting of contracting expenses is available in annual reports. The figure listed in an annual report is the actual, rather than proposed, expenditure. It was also pointed out that as reporting periods in the public sector align with the financial year, it would be very difficult to establish a figure for the first year of the new Government.

2.12 The committee sought information on PM&C's response to the Victorian bushfire disaster and was informed that PM&C 'coordinates the provision of information and situation reports to the Prime Minister on response, assistance and recovery issues in relation to natural disasters generally'.⁵ This involved working with the Attorney-General's Department, particularly its subsidiary, Emergency Management Australia, and the Department of Family, Housing, Community and Indigenous Affairs (FaHCSIA). Usually, the Commonwealth Counter-Disaster Task Force, chaired by PM&C and the Australian Government Disaster Recovery Committee, chaired by FaHCSIA, would look into immediate and long-term responses to a disaster respectively. However, these committees have been subsumed by a Commonwealth-Victorian Bushfire Task Force established at the direction of the Prime Minister from 12 February.

2.13 As a subsidiary matter, the committee heard that while PM&C does not have a permanent seconded officer in the Victorian Premier's office, it has developed a close relationship through ongoing emergency management and counter-terrorism response mechanisms.

2.14 There was a lengthy discussion of the cost of community cabinets and the method by which communities were chosen. The committee heard that the cost of the community cabinets, as reported in December 2008, was almost \$2 million and PM&C agreed to provide updated costs on notice. It was suggested that given the reported total costs, it would appear that the cost per person consulted was about \$400. The Minister refuted this claim, stating:

Those figures do not take account of the number of one-on-one meetings that ministers have held with members of the community and organisations. I believe that there have been nearly 640 of those. You are aware of the cost of the community cabinets. I respectfully suggest that there always will be a cost in consultation, but I believe that there is also a very significant benefit to the community cabinet process. Having attended all of them to date, there has been a very positive response from the communities in which they

3 'PM splurges on consultants', *Australian Financial Review*, 18.2.09.

4 Senator the Hon J Faulkner, *Estimates Hansard*, 23.2.09, p. 48.

5 Mr A Campbell, PM&C, *Estimates Hansard*, 23.2.09, p. 55.

have been held. It is obviously an opportunity for members of the public in those communities to address issues of concern first hand. Many people have taken the opportunity to do that in a range of areas around Australia.⁶

2.15 Other issues discussed included consultancies and other links with Boston Consulting; Ms Julie McCrossin's contract for the National Pandemic Response Strategy Meeting; the office layout of room MG-8, Parliament House; nation building energy efficiency measures and the Emissions Trading Scheme; departmental liaison officers working outside Canberra; the increase in part-time staff in PM&C and assessments of the security implications of the global financial crisis.

Office of the Official Secretary to the Governor-General

2.16 The committee questioned the Office of the Official Secretary to the Governor-General (OOSGG) in relation to the recent visit to Abu Dhabi by the Governor-General, Ms Quentin Bryce, for the World Energy Summit. The committee heard that the Governor-General attended the summit as Australia's representative and made a speech to over 2000 delegates. Her visit was welcomed by the Crown Prince of Abu Dhabi, by the Minister of Foreign Trade and by the Mother of the Nation of the United Arab Emirates.

2.17 The committee was informed that the Governor-General appeared as a representative of Australia, and not as a representative of the Australian Government. OOSGG indicated that it was not aware of any invitations extended to the Prime Minister or the Minister for Climate Change before the Governor-General's invitation. The committee questioned whether the Prime Minister's or Climate Change Minister's offices had any input into the speech given by the Governor-General. The committee was informed by the Official Secretary, Mr Stephen Brady, that he did not recollect any input from these offices, but agreed to take the question on notice. Mr Brady stated that his recollection was that the speech was drafted by PM&C under express instruction that it be strictly non-political. He also pointed out that the speech referenced achievements by the former Government as well as the current Government.

2.18 Other issues discussed included an account of the Governor-General's activities since her appointment; the cancellation of the proposed \$6.5 million renovations to the official residences; and problems with invitations to the Victoria Cross investiture.

Inspector-General of Intelligence and Security

2.19 The Inspector-General reported to the committee that he had investigated files on serving federal Parliamentarians held by the Australian Security Intelligence Organisation. The Inspector-General assessed the files of a 10 per cent sample of Members and Senators, and found that 'there was not, in relative terms, a large amount

6 Senator the Hon John Faulkner, Special Minister of State, *Estimates Hansard*, 23.2.09, p. 68.

of material, and what was there was entirely legitimate for ASIO within its legislative charter to be holding'.⁷ The Inspector-General commented that he had found some minor problems with recordkeeping, which he had raised with the agency.

2.20 The committee also discussed the Inspector-General's concerns regarding the possible addition of the role of independent terrorism inspector to the Office of the Inspector-General of Intelligence and Security (IGIS). The Inspector-General reconfirmed his opinion previously provided to the Senate Legal and Constitutional Affairs Committee, that the proposal would politicise the IGIS and place considerable strain on the office's limited resources. However, the Inspector-General noted that the Attorney-General had announced in December 2008 that a fresh, independent statutory position would be created, perhaps to be referred to as national security legislation monitor. When asked whether the establishment of this position could lead to duplication of activities with the IGIS or the Commonwealth Ombudsman, the Inspector-General replied:

I see a relationship between my role and, for that matter, that of the ombudsman—although perhaps I should not attempt to speak for him—and this new monitor position, but I do not see it as essentially duplicating or overlapping. I do think that there is an area which neither the ombudsman nor I cover and that is really a criminal law policy area. So the key questions are about the nature of the criminal offence provisions in the Criminal Code, how those are handled in terms of prosecutions being laid and how classified material is handled in court. I think there is plenty of meat for the monitor to look at in that area.⁸

Australian National Audit Office

2.21 In response to committee questions on the oversight of advertising material, the Australian National Audit Office (ANAO) stated that it continued to provide reports on federal government advertising campaigns, and that it had recently reported on approximately 24 campaigns. The review process can take one to several weeks and involves ongoing discussion with the relevant government department. The rationale for assessment was summarised by the Auditor-General, Mr Ian McPhee:

As you appreciate the guidelines cover a range of matters. We are looking to see what level of support there is for adherence to the guidelines by the department. Typically and importantly we look at the basis for their decisions around the nature of the campaign. We are looking for research that they may have done to justify the nature of the campaign that is proposed.⁹

2.22 Mr McPhee stated that no campaign had been rejected by the ANAO. However, ANAO had suggested modifications in line with advertising guidelines in

7 Mr I Carnell, IGIS, *Estimates Hansard*, 23.2.09, pp 80–81.

8 Mr I Carnell, IGIS, *Estimates Hansard*, 23.2.09, p. 81.

9 Mr I McPhee, ANAO, *Estimates Hansard*, 23.2.09, p. 85.

place for government departments. This led to the question of subjectivity when applying the guidelines, and whether this warranted attention. The Auditor-General agreed that there were some areas where the guidelines could be improved. These areas had become apparent through the ongoing experience of applying the guidelines. He stated that he had expressed this view to the Minister in relation to a number of areas in the guidelines. He then noted that the Joint Committee of Public Accounts and Audit was presently conducting an inquiry into the subject, and that the matter continued to be under consideration.

Australian Privacy Commission

2.23 The committee discussed the Privacy Commission's consultation with government over the Fair Work Bill. The Privacy Commissioner, Ms Karen Curtis, stated that discussions had taken place with the Department of Employment, Education and Workplace Relations in late 2008. The Privacy Commission had also expressed its view in a submission to the Senate inquiry on the bill. The submission outlined the Commission's concern that 'greater clarification could be put into the legislation to ensure that it was clearer on the right of entry and the protected ballot provisions—that privacy was indeed being protected'.¹⁰

2.24 Ms Curtis noted that there was nothing unusual in providing a submission to a Senate inquiry, and that the Commission had made about 20 submissions in 2008, including many to parliamentary inquiries.

Australian Public Service Commission

2.25 The committee examined the causes of increasing absenteeism in the Australian Public Service, noting that the annual rate had risen from 9.4 days per employee in 2006–07 to 10.1 days in 2007–08. The Public Service Commissioner outlined several identified patterns to absenteeism and noted that rates were higher in larger agencies and were apparently influenced by the general ageing of the Public Service workforce. Other causes discussed included particularly virulent strains of influenza in 2008 and the level of engagement employees have with their employer.

Department of Climate Change

2.26 The committee spent some time examining the costs to Australian industry that would be incurred under the proposed Carbon Pollution Reduction Scheme (CPRS). The Department of Climate Change (DCC) explained that to establish an accurate figure of cost to Australian industry, subsidies would need to be taken into account. Dr Martin Parkinson, Secretary of the department, explained:

Essentially, what we are engaging in here is attempting to pass up an amount, which needs to be thought up holistically, into a whole series of little buckets with different names on them. If you do that, you can take any

10 Ms K Curtis, APC, *Estimates Hansard*, 23.2.09, p. 89.

one particular element. For example, you could take the fact that assistance to emissions intensive trade-exposed industries of \$3.1 billion in 2011-12 was seen as a very large handout to them—if you just took that in isolation. But if you consider the total amount conceptually that could be raised if everything was auctioned—how much goes to the EITEIs; how much goes to the strongly affected industries; how much goes to households, a significant proportion of which will be recycled back to business; how much goes to the recipients of funding under the Climate Change Action Fund, again which is going to be predominantly business—you do get back to saying that the sensible way to think about this is in terms of the macroeconomic costs to the Australian economy, and if all you are doing there is focusing on the cost of action, on average over the period it is around one-tenth of one per cent of GDP. But, again, even that is only a partial estimate, because that does not take into account the cost that you avoid from having attempted to achieve mitigation.¹¹

Thus, while the estimated revenue (if all emissions permits were auctioned to industry at a carbon price of \$25 per tonne) is \$11.5 billion, this remains a conceptual figure only, as in reality there would be issuance of free permits and other return payments to industry.

2.27 The committee asked DCC what effect the global financial crisis may have on carbon emissions. Dr Parkinson responded that although slowing GDP growth would also lead to slower emissions growth, emissions prior to the global financial crisis had been growing much faster than projected:

We know that the growth rate of emissions has exceeded the IPCC [Intergovernmental Panel on Climate Change] scenarios. They have for some time been growing at around or above the top end of the IPCC scenario range, and because they will continue to grow even though the global economy slows—and it is the level effect that is important, the stock of CO₂ in the atmosphere that is important, not the flows in—the flows in are going to remain positive. So you are going to continue to get rising stock levels, and that is going to lead you to a situation where, whatever you might define as dangerous, you are going to be closer to it over the next couple of years than you are today. The only way you would not get that is if emissions essentially either went negative globally or grew more slowly than the stock disappeared out of the atmosphere.¹²

2.28 Another question from the committee focused on the effect the downturn may have on the price of carbon under the proposed emissions trading scheme. Reference was made to the European experience, where the price of carbon permits had suffered a dramatic decline, with flow-on effects to the incentive to invest in green technologies. DCC told the committee that the Australian trading scheme had been informed by the European experience. In order to strike a balance between price

11 Dr M Parkinson, DCC, *Estimates Hansard*, 23.2.09, p. 99.

12 Dr M Parkinson, DCC, *Estimates Hansard*, 23.2.09, p. 101.

stability and target flexibility, the CPRS adopts a series of five-year gateways, which were explained by Dr Parkinson:

One of the key lessons we took out of Europe was the problem of short commitment periods and the volatility that that could potentially induce; but, more important than that, the uncertainty it created and so it dampened behavioural responses. If I had been an investor sitting in Europe running up to the end of the trial period—end of 2007, beginning of 2008—I would not have been prepared to take major investment decisions because essentially I was dealing with things that were effectively an option rather than a permit, so the option value dropped to zero when the option expired—that is, 31 December 2007. Looking at that, we wanted a long time period. How have we done it? We have given five years of fixed targets and then gateways out to another five years and another 10 years. So firms at any point in time have a maximum of 15 years; it concertinas down to 11 and then goes back out to 15...¹³

2.29 Other issues discussed with the department included the potential for 'carbon leakage' if carbon-intensive industries relocated off-shore and the legality of support to Emissions-Intensive Trade Exposed Industries under World Trade Organisation rules.

Office of the Renewable Energy Regulator

2.30 The Office of the Renewable Energy Regulator appeared before the committee, however the questions directed to it were referred to the Department of Environment, Water, Heritage and the Arts.

Finance and Deregulation Portfolio

Department of Finance and Deregulation

2.31 The committee sought information on the cost of proposed consultancies across the forward estimates, but was advised that the Department of Finance and Deregulation (Finance) does not estimate such a figure. This led to a discussion of the methodology used to cost consultancies. Finance explained that the use of consultants was a decision of the relevant agency. Finance only becomes involved where the activity associated with the hiring of consultants requires the agency to seek additional funding. There are no specific benchmarks for consultancies. Rather, Finance makes an assessment on a case-by-case basis, though it may make comparisons based on similar consultancy contracts that were previously accepted. The Secretary, Dr Ian Watt, explained further:

The way the costing process works is that an agency will put something forward. They will say, 'Here is what my minister wants to take to government,' or 'Here is what we want to take to government,' and Budget Group and Finance will scrutinise the cost. I will not say it is a completely

13 Dr M Parkinson, DCC, *Estimates Hansard*, 23.2.09, p. 117.

adversarial process, but it is a pretty tough process. Some of the things our people always look at are: firstly, whether there is a good case for using a consultant rather than public servants; secondly, whether there is a case for a consultant at all; and, thirdly, whether the consultancy looks reasonable in terms of the amount of work being done, the expertise sought and so forth. So that would be tested backwards and forwards; but to say that we are experts on the cost of consultants would be incorrect.¹⁴

2.32 The committee was informed that the agencies which were the largest users of consultants change year by year. In 2008, FaHCSIA and Finance were the largest users, with a combined total expenditure of \$45 million for consultancies. Finance informed the committee that recent changes to the reporting of spending on consultancies meant that it was difficult to obtain historical data.

2.33 The committee discussed the Government's ability to keep track of consultancy spending across the public sector and to implement the Minister for Finance's promise to cut consultancy costs. The committee was informed that Finance does not currently have the resources to maintain an ongoing assessment of actual expenditure, that AusTender tracks contracted amounts only, and that actual expenditure is reported in agencies' annual reports. Senator Nick Sherry, the Minister for Superannuation and Corporate Law, representing the Finance Minister, agreed to take on notice the question of how the Cabinet is able to judge the level of cuts to the use of consultants.

2.34 Later in the hearing, when asked again how the Finance Minister's promise was being implemented in the absence of accurate tracking of expenditure, Dr Paul Grimes, General Manager of the Budget Group said: 'I think the focus is very much on considering new policy proposals and making sure that there is a rigorous and robust assessment of those new policy proposals that are presented to the Government'.¹⁵

2.35 Senators sought information on whether there had been any change to the new Government's commitment to deregulation. The Secretary stated that there had been no change, and it remained a goal of Finance to 'deregulate, to improve regulation and to ensure that there is better regulation'.¹⁶ The Secretary also stated:

...what this government has tried to do and we in response have tried to help them to do is to make sure there is an institutionalised approach to reviewing regulation regularly and as it is made and developed and so forth. So you have got the COAG process where 27 regulatory hotspots have been identified and steps made to remove some of those regulations. You have got the regulatory partnerships between, for example, the minister and the Minister for Finance and Deregulation. You have got an ongoing commitment from the government—this was done as part of UEFO—to

14 Dr I Watt, Finance, *Estimates Hansard*, 24.2.09, p. 6.

15 Dr P Grimes, Finance, *Estimates Hansard*, 24.2.09, p. 9.

16 Dr I Watt, Finance, *Estimates Hansard*, 24.2.09, p. 53.

continue the emphasis on competition and better regulation or reducing regulation.¹⁷

2.36 Other issues discussed with the Department of Finance and Deregulation included the use of airlines other than Qantas by public servants; superannuation entitlements for same-sex couples; pay levels for Ministerial staff; and the provision of Personal Digital Assistants to Senators.

Australian Electoral Commission

2.37 The committee questioned the Australian Electoral Commission (AEC) on the issue of protected ballots conducted for trade unions. The AEC stated that it had conducted 611 protected ballots since they were first introduced in the 2005–06 financial year and 3 February 2009. 80 per cent of the cost of protected ballots is paid through the AEC, while 20 per cent is paid by the relevant union. The AEC agreed to supply figures on the cost of protected ballots on notice.

Future Fund

2.38 The committee heard that approximately 28 per cent of the Future Fund is invested in equities. Given the deterioration of equity markets due to the financial crisis, the Fund has experienced a net loss of 7.5 per cent in the first half of this financial year. Currently, equity holdings continue to yield negative returns, in part balanced by positive returns from cash, property and other holdings. The committee was informed that the Future Fund's holdings remain 'defensively invested'.¹⁸

2.39 The committee went on to examine the Future Fund's ability to meet superannuation liabilities in the future, which was \$101.9 billion as of 31 December 2008. The committee heard that an updated figure for unfunded liabilities would be released in the next few months. It was believed that the Future Fund would be able to meet the legislated annualised long-term minimum return of 4.5 per cent plus the rate of inflation.

Medibank Private

2.40 Mr George Savvides, Managing Director of Medibank Private, detailed several threats facing the company in the current economic climate. Firstly, cooling economic conditions will lead to slowing membership growth. This will result in lower margins, given that 87 per cent of the contribution income is paid out in claims, while the company also has to pay business operating costs from the remaining funds.

2.41 Secondly, Medibank expects that there will be a negative impact on membership as a result of the increase in the Medicare levy surcharge. In October

17 Dr I Watt, Finance, *Estimates Hansard*, 24.2.09, pp 52–53.

18 Mr P Costello, Future Fund, *Estimates Hansard*, 24.2.09, p. 98.

2008, Medibank advised that it was expecting a membership decrease of between seven and ten per cent. Subsequent amendments to the proposed surcharge increase will most likely lessen the effect previously predicted. Finally, Medibank has experienced negative returns from its investment fund in the last year. The 2008 annual report recorded a negative investment income of \$16 million, following positive results in excess of \$100 million for the previous year.

2.42 Other matters discussed included the process used in deciding Medibank's proposed rate change; the private health insurance rebate; and Medibank's acquisition of Australian Health Management and Health Services Australia.

Human Services Portfolio

Department of Human Services

2.43 The committee inquired into the apparent decrease in staff numbers within the Department of Human Services (DHS) and whether this was due to the efficiency dividend. The committee heard that the major reason behind this staffing decrease was the scrapping of the Access Card program, which had involved over 120 staff. Following the termination of the program, DHS found alternate employment inside and outside the department for affected staff, whilst some left DHS voluntarily, and five staff accepted voluntary redundancies.

2.44 Other issues discussed with DHS included coordination of Human Services Portfolio agencies, policy departments and Centrelink; use of consultancies in DHS; and the definition and breakdown of debt owed by non-compliant parents used by the Child Support Agency.

Centrelink

2.45 The main issue arising in discussion with Centrelink was how the agency handles complaints. The committee heard that Centrelink is now developing a 'post-complaint survey' that captures complaint data that was missing under previous systems. This is partially in response to an Australian National Audit Office report that noted deficiencies in Centrelink's complaint handling system. The upgraded system will allow the collection of all complaints, compliments and suggestions in a single database. It is hoped that system development will be completed by the middle of this year.

2.46 Other issues discussed included the impact of the Economic Security Strategy payments on Centrelink's resources, and the process through which Centrelink works with policy departments in providing services.

Medicare Australia

2.47 Issues arising from the discussion with Medicare included problems with Medicare's IT and online reporting systems and ongoing operating deficits.

Senator Helen Polley

Chair

Appendix 1

Departments and agencies under the Committee's oversight

Parliamentary departments

- Department of the Senate; and
- Department of Parliamentary Services.

Prime Minister and Cabinet Portfolio

- Department of the Prime Minister and Cabinet;
- Department of Climate Change;
- Australian Institute of Family Studies;
- Australian National Audit Office;
- Australian Public Service Commission;
- National Archives of Australia;
- Office of the Commonwealth Ombudsman;
- Office of the Inspector-General of Intelligence and Security;
- Office of National Assessments;
- Office of the Official Secretary to the Governor-General;
- Office of the Privacy Commissioner;
- Old Parliament House; and
- Office of the Renewable Energy Regulator.

Finance and Deregulation Portfolio

- Department of Finance and Deregulation;
- Australian Electoral Commission;
- Commissioner for Superannuation;
- Australian Reward Investment Alliance;
- Future Fund Management Agency; and
- Medibank Private Ltd.

Human Services Portfolio

- Department of Human Services (includes Child Support Agency and CRS Australia)
- Centrelink;
- Medicare Australia;
- Australian Hearing; and
- Health Services Australia.

Appendix 2

Outcome / Output Structure

Department of the Prime Minister and Cabinet

Outcome/Output	Details
Outcome 1	Sound and well coordinated government policies, programs and decision making processes
<u>Output Group 1.1</u>	Economic and Industry Policy
Output 1.1.1	Economic and Industry Policy
<u>Output Group 1.2</u>	Social Policy
Output 1.2.1	Social Policy
Output 1.2.2	Office of Work and Family
Output 1.2.3	Social Inclusion
<u>Output Group 1.3</u>	International and National Security Policy
Output 1.3.1	International Policy
Output 1.3.2	National Security Policy
Output 1.3.3	APEC Taskforce (2007-08 only)
<u>Output Group 1.4</u>	Strategic Policy
Output 1.4.1	Strategic Policy
<u>Output Group 1.5</u>	Support Services for Government Operations
Output 1.5.1	Cabinet Support
Output 1.5.2	Machinery of Government
Output 1.5.3	Support to Official Establishments
Output 1.5.4	Support for Ministerial Offices
Output 1.5.5	Ceremonial and Hospitality
Output 1.5.6	Freedom of Information and Privacy Policy
Output 1.5.7	2020 Summit (2007-08 only)
Output 1.5.8	Government Communications (2007-08 only)
Output 1.5.9	Pacific Islands Forum

Appendix 3

Index to Hansard Transcripts¹

Monday, 23 February 2009	<i>Page no.</i>
<i>Parliament</i>	
Department of the Senate.....	2
Department of Parliamentary Services	6
 <i>Prime Minister and Cabinet Portfolio</i>	
Office of the Official Secretary to the Governor-General	41
Department of the Prime Minister and Cabinet.....	45, 83
Office of the Inspector-General of Intelligence and Security.....	78
Australian National Audit Office.....	85
Office of the Privacy Commissioner	88
Australian Public Service Commission	90
Department of Climate Change	92
Office of the Renewable Energy Regulator.....	129

1 Page numbers correspond to the proof *Hansards*. Sometimes there are slight variations with the final version.

Tuesday, 24 February 2009*Finance and Deregulation Portfolio*

Department of Finance and Deregulation.....	3, 52
Medibank Private	41
Australian Electoral Commission	94
Future Fund Management Agency	97

Human Services Portfolio

Department of Human Services	108
Child Support Agency	118
Centrelink.....	121
Medicare	129

