

COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FINANCE AND PUBLIC ADMINISTRATION
LEGISLATION COMMITTEE

Estimates

TUESDAY, 3 MARCH 2020

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SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE

Tuesday, 3 March 2020

Members in attendance: Senators Abetz, Askew, Ayres, Brockman, Canavan, Farrell, Gallagher, Kitching, Lines, McLachlan, O'Sullivan, Paterson, Patrick, Rice, Scarr, Marielle Smith, Dean Smith, Steele-John, Whish-Wilson.

FINANCE PORTFOLIO

In attendance

Senator Cormann, Minister for Finance

Senator Seselja, Assistant Minister for Finance, Charities and Electoral Matters

Department of Finance

Executive

Ms Rosemary Huxtable PSM, Secretary

Outcome 1—Support sustainable Australian Government finances through providing high quality policy advice and operational support to government and Commonwealth entities to maintain effective and efficient use of public resources.

Mr Matt Yannopoulos PSM, Deputy Secretary, Budget and Financial Reporting

Ms Katherine Jones PSM, Deputy Secretary, Business Enabling Services

Ms Amanda Lee, First Assistant Secretary, Budget and Financial Reporting

Ms Rachael Spalding, First Assistant Secretary, Budget and Financial Reporting

Mr Martin Graham, First Assistant Secretary, Budget and Financial Reporting

Mr Libor Pelecky, First Assistant Secretary, Budget and Financial Reporting

Ms Chris Schweizer, Assistant Secretary, Budget and Financial Reporting

Dr Stein Helgeby, Deputy Secretary, Governance and Resource Management

Mr Peter Gibson, Acting First Assistant Secretary, Governance and Resource Management

Mr Marc Vickers, Assistant Secretary, Governance and Resource Management

Ms Chi Tran, Acting Assistant Secretary, Governance and Resource Management

Ms Katherine Cheng, Acting Assistant Secretary, Governance and Resource Management

Mr Scott Dilley, First Assistant Secretary, Governance and Resource Management

Mr Neil Robertson, Assistant Secretary, Governance and Resource Management

Mr Ian Nicholas, Assistant Secretary, Governance and Resource Management

Ms Rina Bruinsma, First Assistant Secretary, Governance and Resource Management

Mr Gareth Hall, Assistant Secretary, Governance and Resource Management

Mr Rod Schreiber, Assistant Secretary, Governance and Resource Management

Outcome 2—Support an efficient and high-performing public sector through providing leadership to Commonwealth entities in ongoing improvements to public sector governance, including through systems, frameworks, policy, advice, and service delivery.

Mr Andrew Jagers, Deputy Secretary, Commercial and Government Services

Ms Stacie Hall, First Assistant Secretary, Commercial and Government Services

Mr Nicholas Hunt, First Assistant Secretary, Commercial and Government Services

Ms Vivianne Johnson, First Assistant Secretary, Commercial and Government Services

Mr Andrew Bourne, Assistant Secretary, Commercial and Government Services

Ms Anne Collins, Assistant Secretary, Commercial and Government Services

Mr Gareth Sebar, Assistant Secretary, Commercial and Government Services

Ms Tiffany Karlsson, Assistant Secretary, Commercial and Government Services

Ms Elizabeth Hickey, Assistant Secretary, Commercial and Government Services

Ms Phoebe Thompson, Assistant Secretary, Commercial and Government Services

Mr Matthew Whitfort, Assistant Secretary, Commercial and Government Services

Mr Andrew Danks, Assistant Secretary, Commercial and Government Services

Mr Jason Ford, Assistant Secretary, Commercial and Government Services
Mr Sacha De Re, Acting Assistant Secretary, Commercial and Government Services
Mr Hew Atkin, Assistant Secretary, Commercial and Government Services
Ms Kylie Dennis, Acting Assistant Secretary, Commercial and Government Services
Mr Cameron Jose, Acting Assistant Secretary, Commercial and Government Services
Dr Stein Helgeby, Deputy Secretary, Governance and Resource Management
Ms Katherine Jones PSM, Deputy Secretary, Business Enabling Services
Mr Scott Dilley, First Assistant Secretary, Governance and Resource Management
Ms Trish Johnston, Assistant Secretary, Governance and Resource Management
Mr Neil Robertson, Assistant Secretary, Governance and Resource Management
Mr Ian Nicholas, Assistant Secretary, Governance and Resource Management
Ms Kim Baker, Assistant Secretary, Governance and Resource Management
Mr Brad Cook, Assistant Secretary, Governance and Resource Management
Ms Rina Bruinsma, First Assistant Secretary, Governance and Resource Management
Mr Gareth Hall, Assistant Secretary, Governance and Resource Management
Mr Rod Schreiber, Assistant Secretary, Governance and Resource Management
Mr Stewart Munro, Acting First Assistant Secretary, Business Enabling Services
Ms Lucelle Veneros, Acting Deputy Secretary, Shared Services Enterprise Resource Planning Transformation
Mr Drago Stanojic, Assistant Secretary, Shared Services Taskforce
Ms Helen Thomsett, Acting First Assistant Secretary, Business Enabling Services

Outcome 3—Support for Parliamentarians and others as required by the Australian Government through the delivery of, and advice on, entitlements and targeted assistance

Ms Katherine Jones PSM, Deputy Secretary, Business Enabling Services
Mr David De Silva, First Assistant Secretary, Business Enabling Services
Mr Brent Heaver, Assistant Secretary, Business Enabling Services
Ms Lauren Barons, Assistant Secretary, Business Enabling Services
Ms Dana Sutton, Assistant Secretary, Business Enabling Services
Ms Kristina Hopkins, Assistant Secretary, Business Enabling Services

General

Mr Iain Scott, First Assistant Secretary, Business Enabling Services
Ms Helen Thomsett, Acting First Assistant Secretary, Business Enabling Services
Mr Grant Stevens, Chief Financial Officer, Business Enabling Services
Ms Cassie Alexander, Assistant Secretary, HR Branch, Business Enabling Services
Ms Carolyn Driessen, Assistant Secretary, Parliamentary and Corporate Engagement, Business Enabling Services
Ms Louise Rafferty, Assistant Secretary, Legal and Assurance Branch, Business Enabling Services
Mr Dean Edwards, Assistant Secretary, Facilities Management Branch, Business Enabling Services
Ms Emma Funnell, Acting Assistant Secretary, Finance Transformation, Business Enabling Services

Independent Parliamentary Expenses Authority

Ms Annwyn Godwin, Chief Executive Officer

Mr Michael Frost, Branch Manager
Ms Petra Gartmann, Branch Manager
Ms Christina Grant, Branch Manager

Australian Electoral Commission

Mr Tom Rogers, Electoral Commissioner
Mr Jeff Pope, Deputy Electoral Commissioner
Mr Tim Courtney, First Assistant Commissioner
Mr Andrew Johnson, Acting Chief Legal Officer
Ms Lynn White, Acting Assistant Commissioner
Ms Joanne Reid, Acting Assistant Commissioner

Future Fund Management Agency

Mr Cameron Price, Acting Chief Executive Officer
Dr Raphael Arndt, Chief Investment Officer

Australian Naval Infrastructure Pty Ltd

Mr David Knox, Chief Executive Officer

ASC Pty Ltd

Mr Stuart Whiley, Chief Executive Officer and Managing Director
Mr Ashley Menadue, Chief Financial Officer

Committee met at 08:58

CHAIR (Senator Paterson): I declare open this meeting of the Senate Finance and Public Administration Legislation Committee. Today the committee will continue its examination of the additional budget estimates for 2019-20. It will hear from the department and agencies of the Finance Portfolio as listed on today's program. The committee may also examine the annual reports of the departments and agencies appearing before it. The committee has fixed 17 April 2020 as the date for the return of answers to questions taken on notice. The committee has also further scheduled hearings on Friday 6 March for cross-portfolio Indigenous matters.

Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. I remind all witnesses that, in giving evidence to the committee, they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee, and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee.

The Senate, by resolution in 1999, endorsed the following test of relevance of questions at estimates hearings: any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purpose of estimates hearings. I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise.

I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised, which will be incorporated by *Hansard*:

The extract read as follows—

Public interest immunity claims

That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

(d) requires the Procedure Committee to review the operation of this order and report to the Senate by 20 August 2009.

(13 May 2009 J.1941)

(Extract, Senate Standing Orders)

CHAIR: Witnesses are specifically reminded that a statement that information or a document is confidential or consists of advice to government is not a statement that meets the requirements of the 2009 order. Instead, witnesses are required to provide some specific indication of the harm to the public interest that could result from the disclosure of the information or the document. The Senate has resolved also 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. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted. Officers are requested to keep opening statements brief or to seek to incorporate longer statements into the *Hansard*.

ASC Pty Ltd

[09:01]

CHAIR: I welcome the Minister for Finance, Senator the Hon. Mathias Cormann; Ms Rosemary Huxtable, Secretary of the Department of Finance; Mr Stuart Whiley, Chief Executive Officer and Managing Director of ASC Pty Ltd and other officers. Minister, do you wish to make an opening statement at this time?

Senator Cormann: No, I don't, thank you.

CHAIR: Ms Huxtable, do you wish to make an opening statement?

Ms Huxtable: No, thank you, Chair.

CHAIR: Mr Whiley, do you wish to make an opening statement?

Mr Whiley: No, thank you, Chair.

CHAIR: In that case, Senator Smith, over to you.

Senator MARIELLE SMITH: What is the current workforce for each of the major constituent parts of ASC—specifically, submarines, corporate, Maritime Services Group and working on shipbuilding?

Mr Whiley: The total permanent workforce is 1,340. There are 153 permanent in corporate and 12 labour hire. In Collins class, we've got 1,119 permanent and currently 103 labour hire. In our MSG group, we've got 26 permanent and another 27 working in the Future Submarine project office. In AWD, we've got nine permanent and 304 labour hire, and in OPV four permanent and 240 labour hire.

Senator PATRICK: Chair, if it assists, the Defence minister has provided to the FADT committee a list of all of the shipbuilding jobs across Australia.

CHAIR: That would be very helpful, Senator Patrick. That would save some time.

Senator MARIELLE SMITH: I'll just continue. What is the functional breakdown, blue collar versus white collar, of the Collins sustainment workforce in South Australia and the number of workers in each group?

Mr Whiley: As to the actual blue collar/white collar—I haven't got that broken down in front of me here; I'll take that question on notice.

Senator MARIELLE SMITH: At further Senate budget estimates in April 2019, Mr Whiley, you said, with respect to the Collins workforce:

... there are approximately 300 people we need to keep for Collins; those are some trades but primarily engineers. Then we've got another 300 who have skills and capabilities that are really important to Collins.

In response to Question on Notice No. F001 from Senate Budget Estimates in October 2019, ASC provided a breakdown of the number of employees in the categories of 'core' and 'critical' since mid-2018. Can you please explain how the Collins workforce categories of 'core' and 'critical' referred to in the response to this question on notice correspond to the categories you spoke about at the last rounds of estimates—that is, 'need to keep' and 'really important to Collins'.

Mr Whiley: I think the two terminologies are consistent. 'Core' and 'critical'—you can apply those other terms against those terminologies.

Senator MARIELLE SMITH: So 'core' is 'need to keep' and 'critical' is 'really important to Collins'?

Mr Whiley: Yes.

Senator MARIELLE SMITH: In response to the same question on notice from Senate budget estimates in October 2019, ASC advised that, since April 2019, there had been 20 employees depart from the core group of Collins personnel. How many have departed from this group since October 2019? And have there been any new hirings in these positions?

Mr Whiley: Again, I don't have that—I haven't broken that analysis down—in front of me. So I haven't got that.

Senator MARIELLE SMITH: You don't have that information in front of you?

Mr Whiley: No.

Senator Cormann: We might provide it to you on notice.

Senator MARIELLE SMITH: I also want to know how the Collins program work has been affected by these staff changes.

Mr Whiley: At the moment, Collins continues to perform and exceed performance levels in terms of our delivery and its own availability.

Senator Cormann: During our period in government, the performance of the Collins class maintenance arrangements has been at world-standard levels as a result of the reforms that have been pursued in recent years.

Senator PATRICK: Initiated in Senator Johnston's office, I might point out.

Senator MARIELLE SMITH: Chair, I thought I had the call.

CHAIR: You do.

Senator Cormann: As the minister at the table, I am actually allowed to answer questions.

Senator MARIELLE SMITH: I was referring to Senator Patrick, Minister. I wasn't seeking to interrupt you.

CHAIR: Occasionally, Senator Patrick and other badly behaved senators do make interjections, though, Senator Smith.

Senator MARIELLE SMITH: What about the critical cohort? Have any of those 297 workers departed ASC since October 2019?

Mr Whiley: Again, I don't have that information in front of me.

Senator MARIELLE SMITH: Over the past 12 months, how many workers from each of the critical and core cohorts have left ASC? How many have been replaced?

Mr Whiley: You quoted the figures I gave you in the responses to questions on notice. Again, I don't have any information on that in front of me.

Senator MARIELLE SMITH: So you'll take these questions on notice?

Mr Whiley: I'll take all those questions on notice.

Senator MARIELLE SMITH: In estimates on 29 October, you said the attrition rate for trade staff was around 3.5 to four per cent, and for engineers it had increased to 10.5 per cent. What are the current rates of attrition for both groups of employees?

Mr Whiley: Overall attrition is just over nine per cent. I don't have percentages, but I can give you some figures on engineers: in calendar year 2018 we lost 24 engineers; in calendar year 2019 we lost 16 engineers; since last Senate estimates, in October, we've lost four engineers; and so far this year we've lost one. The general recent trend is that the attrition of engineers is actually dropping. I'm not aware of any significant change in operations staff.

Senator MARIELLE SMITH: You've previously indicated high levels of attrition inside engineering and that this has resulted in lost skills and capability for the organisation. Can you speak to how many years of valuable experience you believe have been lost to ASC as a result of staff attrition since January 2018?

Mr Whiley: I've lost 45 engineers since 2018 and, on average, we have about 10.4 years of experience per employee, so that would be probably about 500 years of experience.

Senator MARIELLE SMITH: At estimates on 22 October, you confirmed that ASC's overall attrition rate had increased to 10.5 per cent per annum. Does that still remain the case?

Mr Whiley: No. As I said, the attrition rate, as such, is actually falling. It's currently sitting, in February, at just a touch over nine per cent.

Senator MARIELLE SMITH: I understand that ASC Shipbuilding may have announced last month that around another 30 workers will be made redundant. Is that the case? If so, what is your assessment of the impact of this announcement on the level of concern amongst ASC staff?

Mr Whiley: ASC Shipbuilding is actually owned by BAE, so that's not an issue for me; it's an issue for BAE.

Senator Cormann: I should add, of course, that the air warfare destroyer program, which was initiated by the Howard government, is coming to a close. Indeed, because Labor did not make a single decision to build a new ship during six years of government, that is why Australia faced this valley of death. We have committed to a \$90 billion naval shipbuilding program of 57 vessels from Australian yards. As a result of the decisions that we have made, the naval shipbuilding workforce in South Australia, specifically, is expected to increase from about 3,000 to more than 6,000 over the next decade. If the previous Labor government had made any decision at all to commit to any naval vessel, this valley of death could have been avoided. Self-evidently, when a project comes to a close—and a significant project that was

initiated by the Howard government is coming to a close—then obviously you don't maintain the staff. You don't maintain the staff required to paint or build a house once the house is built, and the same is the case with a project like the air warfare destroyer project.

Senator PATRICK: Pity we did not get icebreakers or the supply ships—

Senator Cormann: Six years of no ships and a \$90 billion commitment to 57 vessels under the Liberal-National government.

Senator MARIELLE SMITH: I have some very specific questions so I might just keep going if I still have the call, Chair—

Senator Cormann: I provided some very specific answers.

Senator MARIELLE SMITH: That's quite an extended answer. How many employees have been made redundant so far this financial year? How many do you anticipate will be made redundant by the close of financial year 2019-20?

Senator Cormann: You are asking ASC questions that are not a matter for ASC, because, as Mr Whiley just indicated to you, the workforce that you are asking about is a workforce that is now with BAE Systems. Through BAE Systems it is supporting the completion of the AWD program, the relevant part of the offshore patrol vessel program as well as taking on the responsibility for the build under the Hunter Class Frigate Program in other parts of BAE Systems. You are asking Mr Whiley to answer questions that he is not in a position to answer.

Senator AYRES: Chair, I think, firstly, this line of questioning is not new. That is, it has been asked at a series of estimates and Mr Whiley has been a position answer those questions every time. It's been asked in a way that doesn't invite the kind of editorial from the minister representing the Prime Minister. You can tell when they have got something to hide, he starts talking—

Senator PATRICK: The ownership changed.

Senator AYRES: I understand that the ownership changed, but I do expect that ASC has got some visibility over some of those questions—

Senator Cormann: They don't—

Senator AYRES: If the answer is that they don't, that is a matter of concern itself. There will be questions today and there will be questions tomorrow, and if the government's real answer is, 'We are not worried about it. We don't have to have visibility over these things,' that has consequences itself.

Senator Cormann: Again, Senator Ayres, you clearly haven't followed closely the work that this government has done to ensure that we're in the best possible position to deliver on \$90 billion worth of naval ship building commitments, against zero dollars under Labor. Under our government \$90 billion has been committed and 57 new vessels have been committed. Zero vessels under Labor.

It is a matter of public record how this has been structured, including the fact that the ASC shipbuilding business has been transferred with a sovereign share to BAE Systems. BAE Systems is not a business that ASC runs. The completion of the AWD program, the completion of the relevant parts of the offshore patrol vessel program and, indeed, the Hunter Class Frigate Program are the responsibility of BAE Systems, which have been contracted for that purpose by the Australian government. The questions that you are asking are not

questions for ASC. They may have been in the past under a different structure. They are no longer questions for ASC in the current arrangements. I think that Senator Gallacher, if he were here with us, would be aware of it. I understand that perhaps this is a new area for you but that is just the reality of it.

Senator AYRES: After 10 minutes of sensible answers to questions and 10 minutes of hot air, is the answer, Mr Whiley, that you can give those answers to those questions, that you know the answer to those questions, or that you don't know the answer, or you have been told you don't need to answer them—

Senator Cormann: He hasn't been told anything. It is not his business. This is like asking Australia Post to provide answers in relation to Snowy Hydro. You may as well go and ask Foreign Affairs to answer questions about the health department—

Senator AYRES: I am not asking you. I am asking him. Does he know the answer?

Mr Whiley: I don't know the answer to what BAE are doing with those employees that have been put at risk. However, I can say that we are taking some of them into the OPV project.

Senator MARIELLE SMITH: After all that, at the last estimates in October 2019, Mr Whiley you said: 'Overseas is an option for bringing highly skilled submarine capabilities to help supplement and grow resources so that is an option we are currently looking at.' Are you currently actively considering the engagement of overseas workers to supplement the ASC workforce, and, if so, for what skills?

Mr Whiley: Over a number of years, we do look at overseas as being an opportunity to bring skills in to supplement our skill base. We are currently looking at a plan to go and do an overseas recruitment exercise, and they're primarily in the high-end engineering skilled disciplines.

Senator MARIELLE SMITH: How many of your current workers are on working visas?

Mr Whiley: I have to take that question on notice, but I think it is very, very few.

Senator MARIELLE SMITH: Can you take that on notice, please?

Mr Whiley: Yes, I will.

Senator MARIELLE SMITH: At the last round of estimates, Mr Whiley, you advised that 197 labour hire workers were utilised in the Collins program. What is the policy framework that applies to the decision-making process to use labour hire workers rather than the ASC shipbuilding workforce on the submarine full-cycle docking program at ASC?

Mr Whiley: Labour hire has been used traditionally inside the submarines to deal with the peaks and troughs of the workload. We take labour hire on both sites—in both Western Australia and in South Australia—and we use it to deal with the cycle of the way the maintenance is done. So, at peak, we bring a number of labour hire employees in to meet our peak demands, and then we use our own skilled workforce to basically finish the submarines off. Regarding the ASC shipbuilding workforce, they haven't really been available to us in the programs to be able to support. There could be an opportunity where, if they have specific skills, we could bring ASC shipbuilding workers into the FCD program, but today we've got a network of labour hire suppliers and they haven't had surplus capacity to meet the demands when we needed them.

Senator MARIELLE SMITH: Why is ASC utilising a higher level of contract labour, both in respect of its workforce at the submarine site and the shipbuilding site, when ASC shipbuilding workers are also being made redundant?

Mr Whiley: The labour hire is ASC shipbuilding workers, per se, on the shipyard. I would say probably 90 per cent are ASC workers; there are a few non-ASC shipbuilding workers on OPV, where they haven't had the skills to provide, and we've had to go to other providers to provide those skills, so it's basically a matter of trade and availability. The nature of submarines is that it is cyclic in nature in terms of the demand, and we don't have continuity of work to keep labour hire on permanently for a permanent period of time. So the demand has to meet the availability, and, if the resource is out there and we have a demand for it, then, yes, we'll bring it in. If it's not there, we won't bring it in.

Senator MARIELLE SMITH: What process is being employed to ensure there is consideration given to mitigating the loss of jobs on the submarine site by ASC?

Mr Whiley: At the moment, we haven't got a plan for loss of jobs on the submarine site.

Senator MARIELLE SMITH: And what consultation is being done and with whom is ASC consulting when introducing contract workers into the shipbuilding site?

Mr Whiley: Our EBA allows us to bring contracted workers into the shipyard. And, as I said, we've been doing it for probably the last 15 years.

Senator MARIELLE SMITH: Who are you consulting with?

Mr Whiley: Certainly, we consult with the workforce and the unions to let them know we're doing this, but it's a matter of process and practice that we've managed the peaks and troughs of the submarine maintenance activities.

Senator MARIELLE SMITH: What kind of consultation are you undertaking with the unions?

Mr Whiley: I'm not involved in the detail of those consultations, but we have JCCs employing an engagement process where we will notify workforces of demand or demand changes.

Senator MARIELLE SMITH: My understanding is that very little consultation is happening on the issue and that the introduction of contractors onto the shipbuilding site is having a significant effect on the job security of the permanent shipbuilding workforce.

Mr Whiley: I don't understand that comment, because the permanent workforce is the permanent workforce. These are supplementary employees, and they're there to meet peak demand requirements of the program. It's nothing to do with supplementing permanent employees. We're not reducing permanent employees because we get better productivity or a lower cost base by using labour hire. That's certainly not the case.

Senator MARIELLE SMITH: And how many contractors are currently working on the Collins class full-cycle docking program?

Mr Whiley: We haven't got that broken down. We've got approximately 103 in the Collins program, both WA and SA. I would hazard a guess it's very low on full-cycle docking at the moment, because we're in the set-to-work phase of the activity. When we're doing that it's basically a permanent workforce, so I would think the numbers are very low at this point in time.

Senator MARIELLE SMITH: I'm sure you can appreciate that doesn't really help me: 'very low'. Low is a relative term.

Mr Whiley: Maybe I will have to take the question on notice. Where we are in the cycle of the delivery of HMAS *Waller* is it's not a peak-demand period. It's a low-demand period. And we use, primarily, a high-skilled ASC workforce to do this kind of work whilst it's in the set-to-work phase. The demand would be very low. I don't have that breakdown but I'll take it on notice to provide you with it.

Senator MARIELLE SMITH: I refer to reports in *The Advertiser* on 7 and 8 December 2019, that the National Security of Cabinet was meeting in Adelaide on 9 December to decide whether submarine maintenance jobs would stay in Adelaide. Can you confirm that the NSC did meet in Adelaide on 9 December 2019?

Senator Cormann: Firstly, Mr Whiley is not a member of NSC and Mr Whiley would not be in a position to confirm what may or may not be considered by NSC.

Senator MARIELLE SMITH: Minister, could you confirm whether the NSC met on that day in Adelaide?

Senator Cormann: I'm not going to talk about what may or may not be on the agenda of NSC. What I can tell you though—

Senator MARIELLE SMITH: I didn't ask what was on the agenda, I asked whether it met that day.

Senator Cormann: is that in relation to the future location of full-cycle docking no decision has been made. That's the decision that will be made, when it is made, in the national interest and based on wanting to ensure that we've got a smooth transition from Collins class submarines to Attack class submarines, maximising availability of our submarine capability throughout the transition.

Senator MARIELLE SMITH: It's a very specific question. Can you confirm that the NSC met in Adelaide on 9 December 2019?

Senator Cormann: I'm not going to go into NSC meetings and NSC locations. I'm happy to take the question on notice, to consider whether on notice we can provide further information, but I'm not going to go into the details of cabinet meetings.

Senator MARIELLE SMITH: Mr Whiley, had you been advised of whether a decision on full-cycle docking to remain in South Australia was intended to be made that week or at that meeting?

Mr Whiley: No.

Senator MARIELLE SMITH: You hadn't made any preparations for an announcement to be made?

Mr Whiley: We had some preparations as to a possible announcement, yes.

Senator MARIELLE SMITH: Were any draft press releases written in preparation for an announcement that week?

Mr Whiley: We had some drafts, some press releases.

Senator MARIELLE SMITH: For an announcement that week?

Mr Whiley: For an announcement.

Senator MARIELLE SMITH: Were any media ad placements booked in preparation for an announcement?

Mr Whiley: I don't know. I don't think so.

Senator MARIELLE SMITH: Would you take that on notice, please?

Mr Whiley: Yes, I will.

Senator MARIELLE SMITH: Were any booking fees paid for any media placements?

Mr Whiley: Again, I don't know. I'll have to take that on notice.

Senator MARIELLE SMITH: Were any arrangements made for any events to celebrate such an announcement?

Senator Cormann: Celebrate?

Mr Whiley: No.

Senator MARIELLE SMITH: There were no events?

Mr Whiley: No. There were no celebrations.

Senator MARIELLE SMITH: There were no events organised, otherwise, around that announcement?

Mr Whiley: There were no events, just an announcement, effectively.

Senator KITCHING: Chair, could I ask Mr Whiley if we could have the press releases, just on notice, if that's possible?

Senator MARIELLE SMITH: You've just said that an announcement would be made. Why did you make preparations for an announcement—sorry, that you had not been told that.

Mr Whiley: We are anticipating there may be a decision, either go or stay, and we were trying to be prepared as best we could for a decision.

Senator MARIELLE SMITH: Where did that information come from?

Mr Whiley: It came from the process that we've been dealing with, in terms of preparation of FCD transition, working with Defence, Finance and ourselves, looking at how the options could be considered. And we were aware that a cab sub was being prepared to go to the NSC. We wouldn't specifically have known when the NSC was scheduled or where it was scheduled. We knew the NSC were, potentially, going to meet. We had strategies or documents prepared for a decision either way.

Senator FARRELL: Mr Whiley, Senator Cormann wouldn't tell us anything about where the NSC was going to meet or what day it was going to meet or any of that information, but obviously you had some information.

Mr Whiley: I didn't know specifics. I knew the decision or discussion was an NSC discussion. I didn't know where or when or timings or anything like that. We were just being prepared, as you'd expect us to be, for a decision of whatever the decision was that was being made by government.

Senator FARRELL: But you obviously had a date in mind, because preparations were being made.

Senator Cormann: No, that's not what he said. I think you're verballing Mr Whiley now.

Senator FARRELL: With respect, Minister—

Senator Cormann: Mr Whiley just clearly indicated that there was contingency planning going on.

Senator FARRELL: Minister, you're running interference.

CHAIR: Order!

Senator Cormann: No. I'm using my prerogative of answering the question. I'm the minister at the table.

Senator FARRELL: No. Your prerogative is not—

Senator Cormann: You're verballing the witness, with the greatest of respect.

Senator FARRELL: With due respect, Senator Cormann—

CHAIR: Order!

Senator Cormann: Let me just answer on behalf of the government.

Senator FARRELL: You're running interference.

CHAIR: Order!

Senator Cormann: Let me answer on behalf of the government. It is a matter of public record—indeed I have myself put it on the public record—that there is a body of work going on between Finance, Defence, ASC, Naval Shipbuilding Advisory Board and the like in relation to the future arrangements for Collins class submarine maintenance and sustainment, including the full-cycle docking aspect of that. That is a matter of public record. Indeed, ASC, of course, is aware of that. ASC, indeed, was part of the process putting the advice together that will go to the NSC in due course. So of course it's good business practice, as part of contingency planning, to be in a position once a decision is made, whatever that decision is, to be able to respond to that in a public setting. There is nothing unusual about that. But let me make it very clear again that no decision has been made. When a decision is made, it will be made by the NSC based on what is our national interest and based on making sure that we have a smooth transition from the Collins class submarine capability to the Attack class submarine capability.

Senator AYRES: Chair, this is going to go on all day if we can't move through it in an orderly way. It is true that the Minister representing the Prime Minister is entitled to answer questions on behalf of the government. That is correct. He has to actually answer the actual questions that were directed. I don't know what that word salad was all about. It certainly wasn't an answer to the question. As Senator Farrell has pointed out, there is a big difference between answering the question and running interference. Senator Cormann, if you've got answers to the questions that Senator Smith is asking, answer them, but really it is a waste of this committee's time for you to be rabbiting on with a sort of bureaucratese word salad that has no relationship to the question that was asked.

Senator Cormann: Chair, with all due respect, I know that Senator Ayres is trying to come over as a tough guy among his colleagues, but there is nothing disorderly about answering questions on behalf of the government.

Senator AYRES: But you've got to answer the question. It's a pattern of avoidance.

Senator Cormann: I know that he would be like to be able to answer questions as well as ask them. But let me tell you: all day today I will continue, in an orderly fashion, to use my

prerogative as the minister at the table to answer questions asked, and I will answer them the way I see fit to answer them, not the way a political opponent who is trying to big-note himself among his colleagues sees fit that I should answer them.

Senator AYRES: You've got to answer the question.

CHAIR: Thank you, Senator Ayres. As all of you who participate in this process know, it is up to senators on this side of the table to ask questions however they think fit. It is up to witnesses, including the minister, on that side of the table to answer the questions however they think fit. Each of us might like to provide a commentary on how the other is doing their job, but that's not actually going to get us through the questions or the program efficiently today. I suggest that we each focus on our own domain, and things will proceed in an orderly way.

Senator AYRES: I'm just insisting, Chair, that within the parameters, the rules that surround the operation of this committee, the minister direct his answers to the questions that were asked.

Senator Cormann: Senator Ayres, you can be as patronising as you like. I will continue to answer questions the way I see fit. I've done this for 6½ years. I know what I'm doing. Maybe you need to learn how to ask questions, and that will suit you better in impressing your colleagues.

Senator MARIELLE SMITH: Minister, I don't think you can really be talking to Senator Ayres about patronising remarks given the nature of your comments to me.

CHAIR: Order! Senator Smith. I think the most productive thing we can do now is offer the call to Senator Patrick, who has been patiently waiting and also requested this agency. We'll return to opposition senators afterwards.

Senator MARIELLE SMITH: I've got one more question in this line of questioning. Can I complete that and then we can come back to him?

CHAIR: Okay. You can ask one more question, and then I'll go to Senator Patrick.

Senator MARIELLE SMITH: What was the nature of the event you were organising around this possible announcement?

Mr Whiley: As I previously indicated, we were putting some contingencies in place pertaining to a decision that may or may not have been made regarding stay or go to Western Australia.

Senator MARIELLE SMITH: I understand. So you are preparing. You've done the press releases. There's an event which is being organised or prepared for. What is the nature of that event? What does it look like?

Mr Whiley: A whole-of-workforce engagement.

Senator MARIELLE SMITH: What does that mean?

Mr Whiley: I will stand up and address the whole workforce about whatever the decision is and the outcomes of the decision.

CHAIR: Senator Patrick.

Senator PATRICK: Minister, you mentioned a \$90 billion program in your answer to Senator Smith.

Senator Cormann: Yes.

Senator PATRICK: Noting that Defence has taken the submarine number from 50 billion to 80 billion out-turn, can you provide some clarity as to what that 90 billion is? It is clearly not out-turned.

Senator Cormann: Obviously, the \$90 billion figure is the commitment when we made the relevant announcement. If you want me to provide you with an updated breakdown, I am happy to provide you with that on notice.

Senator PATRICK: Yes. Perhaps in out-turned dollars would be good.

Senator Cormann: Sure.

Senator PATRICK: Thank you, Minister. Mr Whiley, have you conducted any consultation or surveys with your staff with respect to your move to WA as part of the location study or as a general information-gathering exercise?

Mr Whiley: We have certainly kept our workforce fully informed of the process we have been going through regarding the study. We have done a survey of our workforce to see where the morale is at and what they're doing recently. Informally, in terms of testing their appetite to go to WA, we've offered relocation options over the last four to five years. We went to shipbuilding employees and offered them roles in WA. We also have offered other employees inside submarines the opportunity to go to Western Australia. So we have a general feel for what their appetite is for working in Western Australia.

Senator PATRICK: Of the 923, I think it is, staff you have working on submarine sustainment, how many of those are likely to go west? How many have indicated positively they would go west if the FCDs were to move?

Mr Whiley: We have not asked that specific question at all in recent times. But based on historic—

Senator PATRICK: In recent times?

Mr Whiley: We have not asked that question at all regarding that. But, based on analysis that we have done, where we have tried to get the shipbuilding workforce that was rolling off on shipbuilders to get them on to Western Australia and where we have tried to bolster our capability in Western Australia, using South Australians to bridge that capability gap in WA, we found the take-up has been quite low. We probably estimate, at maximum, if there is opportunity and if the decision is made that way, the maximum we would ever get is about 10 per cent.

Senator PATRICK: In your exit surveys for these engineers and core and critical staff, do you talk to them about the uncertainty, about whether that is a factor in their leaving? Secondly, where are they going? Are they going to other shipbuilding jobs in the Osborne precinct or are they going elsewhere?

Mr Whiley: They are going to a wide variety of options. Some are staying inside Defence, some are going to shipbuilding organisations that are growing inside the precinct, and others are leaving the industry altogether. We obviously ask them why they are leaving and the reasons they give are numerous. Uncertainty per se is not a reason we have been given. The main reason is career advancement, an opportunity to take a new leap in their career and do

some things differently. That seems to be the major reason for people wanting to move at this point in time.

Senator PATRICK: I know you have been at ASC since the first sod was turned or thereabouts. You will recall back in 2010 when we did not send a submarine to RIMPAC in Hawaii, which was very unusual. In 2011 there was a period where there were no submarines available for the Navy. Obviously, over the last seven or eight years, along with Defence and others, you have turned that around. I am trying to establish if there is a connection between the experience of the organisation and the availability of submarines. Clearly, sustainment has something to do with submarine availability?

Mr Whiley: Absolutely. The sustainment model—I think the enterprise model that John Coles established in 2011 has been fundamental to shifting that performance metric and the alignment between ourselves, Navy and CASG in terms what 'good' it looks like and how we each contribute to that performance has been really exceptional, so I take my hat off to the other two members in the enterprise. Working collegiately in that space has been a fundamental game-changer and has delivered that performance.

Senator PATRICK: From that, we can then assume that, if there were a shift to WA—noting that you're only getting 10 per cent of you workforce move across there—there would be an effect on submarine availability?

Mr Whiley: The move to WA is a hypothetical move at this point; there is no decision. However, I will say that ASC is absolutely focused on ensuring that availability remains at world-class levels, whatever decision is made by government.

Senator PATRICK: In your location study, you made this point:

There will be a learning curve for the transition of FCDs which will increase the risk to the two year duration of the first and subsequent FCDs in WA making it unlikely that the transition can occur without an impact to the MRDs.

That's very clear in your location study.

Mr Whiley: I think that study you're referring to is the 2022 and 2024 options

Senator PATRICK: Sure.

Mr Whiley: Those options have been—

Senator PATRICK: I am not suggesting a decision has been made. I'm trying to understand the impact.

Mr Whiley: I think it is understandable when you are establishing a new capability in a new environment that there will be first of class issues that will we have to be dealt with. But I think what we're doing is pointing out the risk of first of class issues relating to a potential move.

Senator PATRICK: It has been mooted around the traps that submarine availability is one of the reasons they want to shift full-cycle dockings to WA. But, in actual fact, there will be—at least for the first couple of FCDs—a decrease in submarine availability on the evidence on the—

Mr Whiley: No. I think there will be a risk, not a decrease. When the decision is made, there needs to be mitigation against risk. So we are not talking as an absolute—

Senator PATRICK: Sure. Okay.

Mr Whiley: Senator, you know this.

Senator Cormann: An important point here is the timetable. If there were a decision to go down that path, the timetable allowed to properly prepare and mitigate risk is important, and I think what Mr Whiley was saying was that a short timetable, like 22 or 24, would be more problematic than if there was a somewhat longer timetable. But, again, no decision has been made.

Senator PATRICK: In respect of the location of the full-cycle dockings, how does the location—noting you've done a study into this—affect material ready days?

Mr Whiley: Again, if there is a move, it's about management of risk. How we establish a new location without disrupting the current one is a subject of plans yet to be done but it is a risk we are aware of and that will have to be mitigated as part of the program.

Senator PATRICK: Ignoring the transition phase, obviously you have to take a boat from HMAS *Stirling* to Henderson, or you have to take a boat from HMAS *Stirling* to ASC. Is that the extent of the difference—assuming all things are operating well—of the reduction in material ready days, or sea days for the Navy, in respect of the location?

Mr Whiley: I am not sure I understand the question.

Senator PATRICK: There was a choice on the table for the full-cycle dockings to be done in Perth or for them to be retained in South Australia, in Adelaide. I am trying to understand the effect of those two locations on availability of submarines for the Royal Australian Navy.

Mr Whiley: The issue is one that you need to maybe refer to Defence—regarding the Navy policy and how they deal with deployments and availability inside the two locations. It's not really a question for us.

Senator PATRICK: Having been a submariner who has done the journey, I think it's about four days to do the transit—

Mr Whiley: I think it is more than the transit. As you would appreciate, it's the time in South Australia while they are setting the work and hats and what have you—

Senator PATRICK: But you're going to have to do that at Henderson, aren't you?

Mr Whiley: I think these questions are really for Defence. I think it's about the way the Navy operates.

Senator PATRICK: I will leave that.

Senator KITCHING: Is the lack of the full cycle—let me just put that in a less flavoured way. The FCD decision hasn't been made yet. Is that starting to impact on ASC?

Mr Whiley: No. If you measure it by performance, all the milestones in terms of *Waller* have been cleared and availability has exceeded any previous records we've set. Availability is really world-class at the moment. I think the professional nature the ASC workforce is operating with should be congratulated. Performance is excellent.

Senator KITCHING: Could I ask it perhaps another way: when would it start impacting on ASC?

Mr Whiley: It may not. That's a hypothetical.

Senator Cormann: You're making an assumption, Senator Kitching, about what the decision will involve. The only way you can answer that question is if you have made a decision on when any such transition would occur. In the absence of such a decision, it is really impossible for ASC to make an assessment.

Senator KITCHING: I think that's right. If that decision is not made until 2026, does it start to impact on the workforce figures? We'll have this discussion, I guess, over the years.

Senator Cormann: If no decision is made until 2026, realistically you couldn't make a transition until past 2030.

Senator KITCHING: What I'm really wondering is, if you start to make a decision to move, how does that affect ASC and the workforce currently located in South Australia? Anyway, I take the minister's point that these are hypotheticals, but I am interested that there is no impact yet in terms of either the FCD decision or the LOTE decision.

Senator PATRICK: Mr Whiley, we have discussed at previous estimates the fact that you were contracted to do a location study—a Collins class full-cycle docking location study. I presume that is now concluded, based on previous evidence you gave about the time frame for that.

Mr Whiley: We delivered the interim study, which you're aware of; I think you have a copy of it.

Senator PATRICK: Yes.

Mr Whiley: There was no other study delivered. After the interim study, the process changed. We worked with Defence, Finance, ANI and other stakeholders to provide data analysis around the possible options for a move.

Senator PATRICK: So the tasking of Defence changed? I have a purchase order that was provided to me under FOI. In fact, you may have done it here or under FOI.

Mr Whiley: I will have to check the actual wording in the task. It was agreed that there would be no report; that the interim study would be the study we deliver, and we would change the tasking to reflect the amended scope of work.

Senator PATRICK: So in effect the interim was accepted as a final.

Mr Whiley: I don't know. I do not think so. It was an interim, and that's what it is to me. It's only half the story.

Senator PATRICK: Noting that it was done and you were commissioned to do the study to explore the possibility of a move, it seems odd, unless the move has been rejected as a proposition, that you would stop that study.

Mr Whiley: I think the study changed as a result of the findings of what we did in the interim. The conversation became more broad and the analysis became more in-depth. This was not an ASC consideration in isolation.

Senator PATRICK: In that study you have ROM costs associated with the moves to WA in terms of the infrastructure required and the capability development. What were the numbers you came to in terms of rough orders of magnitude?

Mr Whiley: I actually can't remember. I don't have a copy of the study in front of me. I think you've got the study; do you want to tell me?

Senator PATRICK: No, in actual fact they were redacted. They're redacted using an exemption under FOI that doesn't apply in the Senate, which is why I'm asking the question here. I note that the table indicates there is one option that involves millions and one that involves billions, just by the labelling of the axes. Can you provide on notice what those ROM costs were for WA infrastructure and indeed also for capability development?

Mr Whiley: Okay.

Senator PATRICK: Are you aware of Naval Group offering bonuses to attract people with specific shipbuilding industry skills, perhaps submarine skills?

Mr Whiley: I'm not aware specifically of the Naval Group doing it, but I have heard of other companies doing similar things, yes.

Senator PATRICK: How do you respond to that as ASC?

Mr Whiley: We have talked a number of times about retention being one of our key strategic intents. ASC is looking at how it can improve the value proposition inside the company. We have asked our employees what they want from the company, in terms of things that will make them stay. We are putting a plan of action in place that has been well received by employees so far. As I have previously indicated, the attrition levels seem to be coming down a little bit from where they peaked late last year; that's a positive indication that some of these initiatives may be moving. It's about how we react to the market and how we can offer ASC as a good place to work and give them some exciting work.

The other thing we're doing, as part of our retention strategy, is: we are very Collins-centric in our workplace, and we are looking to provide opportunities for people to have a more diverse career. So we are looking for overseas opportunities and looking at doing other work with other agencies to supplement that, so that people can go and experience a change of career and then come back to the organisation.

Senator PATRICK: Just on that topic: Mr Lamarre indicated at Pacific 2017 that ASC was exploring overseas export projects. I presume that has now stopped as a result of the company transferring to BAE?

Mr Whiley: From a shipbuilding perspective, that has stopped. But that has not stopped from an ASC perspective. As you know, we have done some work rates with Sweden. We are looking to talk with Canada; we have done some initial work in Canada already, so we are looking to export some capability. What we have done with Collins has been really well regarded in the submarine industry, and people want to come and talk to us and pick our brains a bit.

Senator PATRICK: I note that you mention in your study, because of this expertise, that you fly people in and out of Perth—so when Perth needs support, with the deep knowledge that you have in Adelaide, you fly workers to Perth to support them. How often do you do that, and what is the cost of doing that?

Mr Whiley: We've been doing that from day dot of doing maintenance in Western Australia. It is a capability question. To a lesser degree, Western Australia's capability has certainly grown significantly over the last five or six years and the number of people we are flying over there is becoming less and less.

Senator PATRICK: Is it on a weekly basis?

Mr Whiley: It can be weekly or daily. It can then go for periods where there is no-one, depending on what the work scope and demand is. It also reflects that we generally support the operational maintenance. Where we have to fly people to overseas destinations to support submarines, then we may have to backfill from Collins.

Senator PATRICK: Sure. I am just interested in the support for WA. Could you provide on notice over the last 12 months—

Mr Whiley: The average number of deployments?

Senator PATRICK: Yes. I don't want to know what they are doing, just some idea of how often people are flying across and what the total cost of that is to ASC.

At MYEFO in 2018, there was an announcement for \$21.2 million to be spent dealing with the valley of death. Is that money still being transferred to ASC or has that been somewhat cut because of the transfer of ownership of the shipbuilding side of the business?

Mr Whiley: Was it \$29.4 million?

Senator PATRICK: There was \$27 million announced at MYEFO 2018. I am wondering whether the change of ownership has carved that number in half or—

Senator Cormann: It hasn't, because the decision was made in context. What I will do, to be helpful, rather than give you numbers off the top of my head, is give you that information on notice in terms of how that was broken down and how it was or was not affected by the break-up.

Senator PATRICK: And how much has actually been passed to ASC.

Senator Cormann: We will provide an update on that.

Senator PATRICK: Thank you very much, Minister.

Senator MARIELLE SMITH: Have you started any preparatory planning work in relation to the relocation of the workforce for 2026?

Mr Whiley: We are looking at planning on all options.

Senator FARRELL: Is that a yes?

Senator Cormann: No, it is not a yes. There is no decision by government.

Senator FARRELL: Senator Cormann, the witness gave an answer. I followed up with a question.

Senator Cormann: I am the minister at the table. We can have this conversation 150 times.

Senator FARRELL: Senator Cormann, you sat quietly while Senator Patrick—

CHAIR: Order!

Senator Cormann: That is because he asks more factual questions than—

Senator FARRELL: That was a straight factual question.

CHAIR: Order, Senator Farrell!

Senator Cormann: I am entitled to take questions on behalf of the government.

Senator FARRELL: With due respect, Senator Cormann, it was a straight factual question he was perfectly capable of answering until you interfered.

CHAIR: Order! Thank you, Minister; thank you, Senator Farrell. I will hear submissions on this individually, not while you're talking over each other; I can't possibly rule while you're talking over each other. Senator Farrell, I think your complaint was that the minister was taking the question. As you know, he is entitled to do so.

Senator FARRELL: He sat quietly while Senator Patrick asked his questions. The moment we start asking questions, he comes in to interfere.

CHAIR: That's not relevant, as you also know.

Senator Cormann: I am entitled to answer questions.

CHAIR: Thank you, Minister; we know that.

Senator FARRELL: So is the witness.

CHAIR: Order, Senator Farrell!

Senator Cormann: I am a witness here, and I am the minister at the table.

Senator FARRELL: The witness is entitled to answer questions. It was a straightforward question.

Senator Cormann: You can bring confected outrage for the cameras all you like. You don't do it quite as well as Senator Wong.

Senator FARRELL: This is not confected, Senator Cormann.

CHAIR: Order, Minister and Senator Farrell! Senator Farrell, as I'm sure you do know, you cannot direct a witness to answer a question.

Senator FARRELL: I know, but the witness was happily answering questions until Senator Cormann interrupted.

CHAIR: Even if that is the case, even if I accept your characterisation of that, the minister is entitled to answer every question if he so wishes.

Senator FARRELL: But so is the witness. That's why we are calling the witnesses. He's got the information. He runs the organisation.

Senator Cormann: I might start answering every question, if you like.

CHAIR: Minister, that was not an encouragement; please don't do that. Senator Farrell, let's proceed with questions. I'm sure the minister will answer what he feels he must, and Mr Whiley can answer—

Senator FARRELL: I'm happy to listen for as long as Senator Cormann wants to talk, but I've asked the witness a question. He is about to answer.

Senator Cormann: Senator Farrell, I sat here very quietly for most of your questions, but here is a question that, on behalf the government, I have got to provide an answer to—

Senator FARRELL: You've interrupted the whole of the morning, with due respect.

Senator Cormann: and I will use the prerogative of providing an answer on behalf of the government. Again, the government has not made a decision on the future location of full-cycle docking.

Senator FARRELL: We've heard this. You've said this already. This is repetition.

Senator Cormann: Chair, I think we need to have a private meeting. This is now being quite disorderly.

CHAIR: I'm happy to do that if it is strictly necessary. I would hope I could rely on the good intentions of all members of the committee to avoid doing so.

Senator Cormann: If I can't provide answers to questions, I will ask for a private meeting.

CHAIR: I'm not sure it's your place to ask for a private meeting, Minister, strictly speaking, as you are not a member of the committee. Senator Farrell, I would ask that you allow the minister to answer. If you are unsatisfied with the answers that he provides, please ask follow-up questions rather than interjecting over the top of him.

Senator FARRELL: Point of order: this is repetition. This is the third or fourth time. The minister obviously has a script that he is following. It is the third or fourth time this morning he has given the same answers to the same questions. Mr Whiley was happy to answer the question. I asked him a follow-up question. I can't understand why Mr Whiley can't answer that question.

Senator Cormann: On the same point of order: if you keep asking the same question, you are inevitably going to get the same answer.

Senator FARRELL: No, it was a different question.

Senator Cormann: In relation to the decision, that has not yet been made. In relation to the future location of full-cycle docking, of course, in that context, where there are possible future scenarios, the ASC, as an outstanding Australian business, will do some contingency planning. But that doesn't mean that they are planning for a specific outcome that has not yet been determined; it just means that they are preparing themselves for various contingencies, as they must.

CHAIR: Thank you, Minister. On the point of order: Senator Farrell, as you know, neither you nor I have the capacity to direct the minister or witnesses how to answer questions. That is up to their own good judgement. Please continue to ask your questions as you see fit, and, if you are unsatisfied with their answers, continue to ask questions until you are satisfied.

Senator FARRELL: Can I follow up on Senator Cormann's comments. We all know that the ASC do a fantastic job and that they have got a terrific workforce, and one of the reasons for that is that they are in South Australia. Of course, they are doing a fantastic job.

Senator PATRICK: You should have supported my motion!

CHAIR: Order! Senator Patrick, that's not helpful.

Senator FARRELL: Senator Smith asked you a question. I asked you a follow-up question: was that a yes or no answer? The minister interrupted. Would you like to complete your answer on that question?

Senator Cormann: It's not a yes or no question.

Senator FARRELL: Well, that was what I was asking Mr Whiley.

Senator Cormann: You can ask, but it's not a yes or no answer.

Senator FARRELL: We're right back to where we started. Would you like to answer that question, Mr Whiley?

Mr Whiley: My answer was relating to the contingency of either decision—stay or go. We had to look at potential scenarios of either decision, so planning is related to contingency for either scenario.

Senator MARIELLE SMITH: When asked in October 2019 whether there were any contractual arrangements at this point in time between the government and ASC with regard to life of type extension work beyond the initial scoping studies ASC is conducting you said: 'No, but in our proposal we do it at PP4, which is our next version of the ISSC, which gets released in July next year. It is a line item in that contract.' Can you elaborate on this answer and whether there are any updates?

Mr Whiley: The first phase of LOTE gets delivered by ASC at the end of March. There are two parts—end of March and end of April. Currently, we don't have a contract for follow-on work. We are in negotiations with Defence as to how we can bridge that gap between that and the next phase. It has been proposed by Defence as a line item in PP4 negotiation. We are going through that negotiation submission with them at the moment, but we haven't come to any conclusion.

Senator MARIELLE SMITH: Could you confirm that ASC is not under contract for LOTE work beyond the initial scoping studies?

Mr Whiley: At this point in time, no; the initial scoping study is all around contract work.

Senator PATRICK: You said that about 10 per cent of the workforce is amenable to a shift to WA. Working on a workforce of 700 to 900—and I think you said the level of experience of workers was around 11 years—

Mr Whiley: I think I said the average tenure of employment is about 10½ years.

Senator PATRICK: That is something like 6½ thousand years of experience that will not shift to WA, that we will lose from the system.

Senator Cormann: That is your conclusion.

Senator PATRICK: It is my conclusion, rough maths. I just wonder whether ASC could comment on—

Senator Cormann: But you're making an assumption about what decision would be made.

Senator PATRICK: Minister, you're interrupting me!

Senator Cormann: That's right! I've got to be a bit balanced here. My good friend Senator Farrell is a bit upset that I let you have a clear run, so I've got to be a bit more even-handed. The conclusions you are reaching are based on all sorts of assumptions that may or may not eventuate if certain decisions are made. Whatever decision is made, there has got to be a plan that is going to have to be executed that maximises opportunity and minimises risk—in any scenario. That is what we will be doing.

Senator PATRICK: I am prepared to say that my number is rough. But maybe, Mr Whiley, on notice, you could provide a more informed view as to the loss of experience in respect of man-years were the shift to occur and lay out your assumptions.

Mr Whiley: I think it is a hypothetical question. It is really hard for me to answer that question.

Senator PATRICK: I've got a document here about a location study that is hypothetical as well. It's called planning. It's a normal function of business to plan. It's a normal function of government to examine what is going to happen in the future. In that sense, it's not a hypothetical. There is an option on the table to shift to WA. I would have thought that would be something on which you would have advised the government in terms of the loss of experience, noting that the taxpayer paid for all of that and it does impact on national security. Can I ask you to take that on notice?

Mr Whiley: Okay.

Senator PATRICK: Thank you.

CHAIR: I thank ASC for your attendance and evidence.

Australian Naval Infrastructure Pty Ltd

[10:00]

Senator Cormann: Mr Knox has an opening statement.

CHAIR: Thank you, I was just about to invite him to do that. I welcome Mr David Knox, Chief Executive Officer of Australian Naval Infrastructure Pty Ltd. Mr Knox, do you wish to make an opening statement?

Mr Knox: I do. I'd also, with your approval, like to table a photograph, because it tells a thousand words.

CHAIR: Sure.

Mr Knox: Thank you for the opportunity to provide a further progress update on ANI's activities. The Osborne South Development Project, of which I've handed out a photograph, remains on target for completion of the main works by the end of March 2020 in readiness for handover to ASC Shipbuilding for the Hunter Class Frigate Program. ANI will continue to work closely with ASC Shipbuilding through the commissioning and handover process until they take operational control of the new facilities. The expected costs remain as previously advised, with the estimated cost of the project at handover to ASC Shipbuilding being \$505 million, and \$560 million after completion of the modernisation works in the existing Osborne south shipyard. The construction and engineering workforce undertaking this project has now peaked at 560 persons on site, with a further offsite workforce of approximately 150 persons. The Australian steel content by tonnage remains at approximately 89 per cent, and 63 work packages out of a total of 65 throughout the project have been awarded to Australian suppliers.

Moving to Osborne north, ANI has continued to work with the managing contractor Laing O'Rourke to progress design activities. Construction commenced on the Combat System Physical Integration Facility in November 2019, with all the piling for that facility completed prior to the Christmas break. ANI and Laing O'Rourke have continued to work with the Commonwealth to progress the Platform Land Based Test Facility design. The design now needs to be finalised before the committing of further funding for its construction. Design progression for the main works, west of Mersey Road, is continuing. ANI currently employs 40 staff. We are pleased to have been able to offer three engineering students permanent graduate employment and we've also engaged five undergraduate engineering students for eight weeks vocational employment to assist them in meeting their placement requirements

for their degrees. In addition, ANI has recently employed a mechanical technician whose position had been made redundant from ASC shipbuilding last year.

Senator FARRELL: How's Waterfall Gully going, Mr Knox?

Mr Knox: It's very fine, so long as it doesn't flood.

Senator FARRELL: I'd still like to be living there but had to move. You did answer a few questions in your opening address, and I might cover some of the same ground, just for sequencing, if that is okay. Are you on track to achieve the target completion date of 31 March this year?

Mr Knox: We are. In the photograph we just handed out—

Senator FARRELL: I have not seen that photograph. I wonder—

Mr Knox: We are going to hand over building 20, which is the steel fabrication—

Senator FARRELL: What is in the photograph?

Mr Knox: It is a photograph of the shipyard that's being constructed, whose first task it is going to be to build the Hunter-class frigates. There will be a progressive handover. It will start in in early April with the steel fabrication and assembly hall, which is basically where all the machinery is that is going to prepare the steel, cut the steel and then create the initial units. It is where all the sophisticated cutting, welding and robotic assembly units are. That is the first hall we'll hand over to ASC Shipbuilding. They call it a turnover. Once they've completed the turnover of that, or maybe in parallel, they'll start to then work on the other two halls, which is where you assemble the blocks, and the final very large hall where we'll actually assemble the frigates themselves. In addition, they'll take the new blast and paint hall and, as soon as it's done, they'll take the canteen. That'll all happen—the handover starts in early April and will run through two or three months as BAE take possession of the whole yard. That's in accordance with the plan that was poured some time ago.

Senator FARRELL: When did you say the first handover was going to take place?

Mr Knox: We're going to do the first handover in early April, and ASC Shipbuilding call it a turnover process which they run. They need to become knowledgeable and comfortable with what we're giving them and make sure it can be operated safely and that they fully understand its capability.

Senator FARRELL: In the past, we've talked about building 22—which one is that?

Mr Knox: That's the big one at the back—the ship assembly and fit-out hall. It's a very large building. It's capable of housing two destroyers side by side.

Senator FARRELL: Just how big is it? It looks enormous.

Mr Knox: It's very large. It's 50 to 55 metres tall, 80 metres wide and more than 100 metres long—actually, it's more like 200 metres long. It's a very big hall. We use an innovative technique to construct it. Because it's so high, and obviously anyone who's been in South Australia knows it's been pretty windy down here. We assembled it at grade, so as close to the ground as we could, and then we jacked it all up so that we minimised working at heights, which is a good safety initiative.

Senator FARRELL: You did that in the construction?

Mr Knox: In the construction phase that was led by Lendlease, and they did a very good job in getting this hall up.

Senator FARRELL: Where is this in relation to the current ASC structure? Which direction are we talking about here?

Mr Knox: There used to be a road called Mersey Road that ran straight up the middle of the shipyard. That's now incorporated into the shipyard. To the right of this photograph is the existing shipyard, which is to the east—

Senator FARRELL: I know exactly where you mean.

Mr Knox: and then the river is on the right-hand side.

Senator FARRELL: The block assembly hall—when are we talking about that?

Mr Knox: That will be ready also at the end of March, but ASC Shipbuilding will do a progressive turnover as they call it—I call it a handover. They'll take occupancy of it progressively. They'll probably seek to go into that sometime during May. Subsequently, it's up to them but sometime in May-June they'll take over the ship assembly hall.

Senator FARRELL: Building 20—that's steel fabrication.

Mr Knox: That's where all the sophisticated equipment is doing the cutting and assembly. This is a Commonwealth designed shipyard, a generic shipyard, to build all the ships and support the continuous shipbuilding program. It's got massive capability. It's very modern and, obviously, we're having a lot of visitors who want to come and have a look at it.

Senator FARRELL: I'd like to be one if I can organise an invite. Thank you—is that a yes?

Mr Knox: I think it would be a very good idea if members of this committee came and had a look.

Senator KITCHING: I'll tag along.

Mr Knox: I think a lot of people would like to do so. The only thing I ask is, please, we have to organise it probably on a Friday afternoon when it's not got 560 people flat out over the next month. I don't want to distract anyone from getting this done—that's my only caveat.

Senator FARRELL: We'd like to see them work.

Mr Knox: You're very welcome.

Senator PATRICK: The naval shipping inquiry is actually organising a visit—

Mr Knox: Are they? That's good.

Senator PATRICK: as part of the inquiry it's running.

Mr Knox: Excellent.

Senator FARRELL: You can bring your rubber ducky, Senator Patrick.

Senator PATRICK: Senator Kitching is the chair of that committee, so she'll no doubt give you an invite—if you're nice to her.

Mr Knox: We will welcome you.

Senator FARRELL: You obviously didn't hear me: I said you could bring your rubber ducky to the event. What specialised equipment is required for the complex hull parts fabrication for the Future Submarines?

Mr Knox: So now we've changed to the northern yard—I make that point. The southern yard was designed effectively by the CASG, the government and the Commonwealth to meet continuous shipbuilding. The northern yard—just to reset—is being designed by the Naval Group for the Attack class submarines and, once the Commonwealth approves that design, ANI will build that yard. And you're correct, Senator: submarines are a very different game to ships. The scale of the equipment in that northern yard is significantly bigger than it is in the southern yard. I'll give you one example. The press, which we have in the southern yard, is basically, I think, a 600- or 800-tonne press. In the northern yard, for the submarines, it's an 8,000-tonne press. That one piece of equipment is going to weigh 4,000 tonnes. So the equipment in the northern yard, to do submarines, is much bigger. That equipment will be procured by the Naval Group and then installed by the Naval Group in the yard which they design.

Senator FARRELL: And do we know how long it's going to take to install the equipment?

Mr Knox: We, ANI, are still designing the yard and, obviously, fitting the equipment into that design. So that's very much work in progress. We have a team of between 100 and 150 designers in Adelaide working on the design of that yard.

Senator FARRELL: Where are they located?

Mr Knox: Greenhill Road. They're Laing O'Rourke and KBR. They're at 3 Greenhill Road, in a relatively suitable office.

Senator FARRELL: Near the Anzac Highway somewhere?

Mr Knox: Yes. It's appropriate for a design facility. They're also using 3D design techniques, which is very refreshing and very up to date. It's very easy to communicate the designs to the Naval Group, which is very important because we have to make sure it meets their specifications. That process is ongoing. It's going to go on for the rest of this year, flat out.

Senator FARRELL: Going back in time, what was the original time line for the installation of the specialised equipment at the submarine construction yard?

Mr Knox: We're still on the time frame, as we understand it, which is, broadly speaking, that we need to start early works on the submarine yard sometime this year. We need to start piling in order to meet the out-turn dates that are required in order to meet the Naval Group's timetable. We're looking to do some early works this year, which is largely site preparation and piling. We've already done quite a bit of site preparation, but we need to do more, and then we need start piling on the main site, which is to the north of this photograph.

Senator FARRELL: So there has been no revised time frame?

Mr Knox: No.

Senator FARRELL: You're sticking to your original—

Mr Knox: Yes. Absolutely. We are.

Senator FARRELL: And you expect to complete it—

Mr Knox: We expect to deliver on time—

Senator FARRELL: on time and on budget.

Mr Knox: as we've done in the south, yes. It is, of course, subject to approval of the designs, which are out of our hands, but that's assuming the designs are approved—

Senator KITCHING: What's the time frame for the approval of the design?

Mr Knox: On the design approval, the first thing that is done is something called functional requirements, which are written by the Naval Group. They are then approved by the Commonwealth. Once they are set and don't change, because that's very important for us, then we build to those functional requirements. The first thing we have to do is design to those functional requirements, and then, having done that, we seek ministerial and shareholder support for committing the funds to actually build them. That process is going to go on for the whole of this year.

Senator KITCHING: Calendar year?

Mr Knox: Yes. I anticipate coming to ministers probably early next year for approval.

Senator FARRELL: Just on that question, does the plan and design incorporate provisions for the FCD to continue to occur at Osborne?

Mr Knox: We have very specific instructions on that: that we do not, in any way, preempt that decision, either way. We will design to cater for whatever that decision is.

Senator KITCHING: On that, are you going to have the hull equipment that they have at Cherbourg—is that in the functional design now?

Senator Cormann: Whatever scenario ultimately eventuates, there's going to be enough lead time for ANI to ensure that the necessary infrastructure is available to do FCD in whatever configuration.

Mr Knox: That's correct.

Senator KITCHING: Thank you.

Senator FARRELL: Just one last question, if I could. Have there been any issues or changes in plans from Naval Group or Lockheed Martin in terms of their requirements and timelines?

Mr Knox: I've spoken about the functional requirements. The key thing with these functional requirements is that they have to match the design of the submarine. Obviously the design of the submarine is progressing; therefore the functional requirement design is also progressing. While we, as engineers, would love to think that we could get a set of functional requirements which will never change, realistically we know that as the submarine progresses there will be some changes. We are seeking to work very closely with Naval Group—we have an excellent relationship with their engineers and their staff—in order to make sure that we can accommodate anything that may come out of the submarine's design as it progresses. At the end of the day we've got to build a shipyard which allows Naval Group to efficiently, productively and safely build these world-class submarines; that's our purpose. While I would love to say there were no design changes, it's not realistic; there will be. I have to coach my engineers to make sure that we have enough wriggle room to cater for reasonable expectations that we might have.

Senator PATRICK: Firstly, in relation to the shipbuilding as opposed to the submarine shipyard, what's the maximum capacity in terms of tonnage for the shipyard that's being built? Is it constrained by the common-user ship-lift facility?

Mr Knox: In terms of absolute tonnage, we've built for the specifications of a destroyer, which is 10,000 tonnes. It's a combination of tonnage and length. Those are the two key factors—and, I suppose, width as well, because you can't get anything out of the shed that's too wide. But basically it's a tonnage-length calculation.

Senator PATRICK: So there are no plans to build future icebreakers or supply ships?

Mr Knox: Anything up to 10,000 tonnes that's 170 metres long, we can manage. If it's 10,000 tonnes and 140 metres long, it gets a bit more complicated because the weights go up. That doesn't mean it couldn't be done; it just requires a bit more engineering as to how that ship is supported on the trestles.

Senator PATRICK: Going to the north, talking about submarines, you provided an answer to a question on notice in relation to the spend on the physical integration facility in the land based test facility—\$14.2 million had been spent. Can you update that figure?

Mr Knox: Yes. In Osborne North, to date—that's the end of February—we've spent \$79 million.

Senator PATRICK: For question on notice F007 you advised \$14.2 million had been spent on phase 1 works for the PIF and for the LBTF. Where does the \$79 million fit into that?

Mr Knox: The \$79 million includes the work we've done on the CSPIF, which is to design it, and then we've started piling it. We've finished piling it, in fact. It includes all the design work on both the CSPIF and the Platform Land Based Test Facility and also on the main works, for the main submarine facilities. It includes the fact that we've now built the site in order to run a five-year project. If you come, you'll see we've got a quality site. We've done the piling contract, and we've also awarded the contract for and done a lot of the initial earthworks. So that's what we've spent \$79 million on.

Senator PATRICK: Can you, on notice, provide a breakdown of the \$79 million.

Mr Knox: Yes.

Senator PATRICK: You said in your answer to Senator Farrell that you're designing to cater for any decision.

Mr Knox: Yes. We're not prejudging the decision.

Senator PATRICK: Just on a technicality there, my understanding was that Naval Group were doing the design.

Mr Knox: Naval Group are doing a design. They have their advice, and I have my advice, which is not to do anything that prejudices the decision.

Senator PATRICK: The burden of the question is: who is responsible for the design work; is it Naval Group or is it ANI?

Mr Knox: They are responsible for the functional requirements. We then take those functional requirements and we design the shipyard to meet those functional requirements. The reason they are responsible for the functional requirements is that, at the end of the day, they're going to have to build the Attack class.

Senator PATRICK: I understand that. I just seem to recall that the very detailed design diagram that I got under FOI was produced by Naval Group.

Mr Knox: Yes. Obviously, Naval Group are working closely with our teams on those functional requirements. In doing that, it's an interactive process, so, yes, some of the diagrams will have Naval Group on them; some of them have Laing O'Rourke on them. It's a team event.

Senator PATRICK: Okay. You might recall I asked you to table the alternative proposition.

Mr Knox: That's correct, and I did.

Senator PATRICK: When I looked at that, it didn't look very professional. Please excuse me, but, in comparison to what Naval Group were doing, all you provided was a diagram overlaid with some crayon marks as to where sites might be. Has that developed further?

Mr Knox: No. Since Senate estimates in October, ANI has not continued any work on developing those sites.

Senator PATRICK: So there is no detailed design to the same quality—

Mr Knox: There is not right now.

Senator PATRICK: of a shipyard that includes the site necessary to retain full cycle docking as it continues in South Australia.

Mr Knox: That's correct. But, as Senator Cormann says very clearly, there is plenty of flexibility going forward to cater for any decisions that might or might not—

Senator PATRICK: Yes, but you could say, 'I can see where they're leaning.'

Senator Cormann: No, he doesn't.

Mr Knox: No, I'm not leaning either way. Regardless of the decision, we can cater for it, and we can build the required facilities within the timetable required. But I'm not going to spend a lot of time designing something that is theoretical.

Senator PATRICK: Well, you spent a lot of time designing something that's theoretical, in the context of a shipyard that doesn't include ASC for the full cycle docking.

Mr Knox: No.

Senator Cormann: No. He's not making any design decision at the moment.

Mr Knox: No. We have not made any judgements.

Senator PATRICK: The point of my line of questioning is that it's clear that lots of effort—and taxpayers' dollars—has been expended on a very detailed design in respect of a shipyard that doesn't have full cycle dockings in South Australia.

Senator Cormann: I reject that proposition. The time that has been spent has been to deal with the implications of the decisions that have been made—for example, in relation to the Hunter class and, indeed, in relation to the Attack class—and all of the related matters. In relation to full cycle docking, where no decision has been made, the advice to us is unequivocal. I went and visited ANI myself and had these conversations on location. We've been reassured that the flexibility and the sufficient lead time is there to accommodate either decision. So far the work that has been undertaken deals with the obviously massive shipbuilding activity that is coming down the line. As soon as the government has made a decision in relation to the future location of full cycle docking, ANI will be able to accommodate that in whatever scenario is determined.

Senator PATRICK: I'll ask it in a more forensic way. If I call the option that does not have full cycle dockings in South Australia option 1 and the one that does have full cycle dockings at Osborne option 2, can you provide me with the amount of money that has been spent on option 1 and the amount of money that has been spent on—

Senator Cormann: We'll take that on notice.

Senator PATRICK: Okay.

Mr Knox: Perhaps I will say, though, that our focus is on the greenfield site.

Senator PATRICK: Yes. I have a different focus.

Mr Knox: But our focus is on the greenfield site, and that's where we're spending our dollars, which is irrespective of the Collins decision.

Senator PATRICK: You will have some time line in respect of works to be done. When you first started this process, there would have been a Gantt chart of some sort developed. Can I ask you to provide the committee with that Gantt chart that shows the milestones associated with the Future Submarine yard? That would include, at the start of this process, when you expected to commence work on the main shipyard.

Mr Knox: Yes, we can do that.

Senator PATRICK: I just want to understand what your baseline schedule was.

Senator Cormann: We'll look at what we can provide on notice.

Senator PATRICK: Thank you. You indicated in your statement, Mr Knox, that you are awaiting approval and then you will commence the work.

Mr Knox: That's on the PLBTF, yes.

Senator PATRICK: Okay, so that's not on the main shipyard?

Mr Knox: No, with the main shipyard we're very much in the design phase. You can characterise the design phase—some people talk about 30 to 60 per cent. We're in that phase.

Senator PATRICK: Sure, but no physical work has started on the site?

Mr Knox: We've done some site preparation in order to prepare for going forward so that we only spend the money once, basically, because we've started work on the CSPIF and prepared the site for the PLBTF. We've also done site preparation for the main site, but no substantive works have been done on the main site yet. We will seek to start those this year, though, in order to keep to schedule.

Senator PATRICK: My understanding is that previous advice that had been provided was that you would finish the end of the phase 2 design planning somewhere between Q2 of 2019 and Q2 of 2020.

Mr Knox: I will take that on notice when I come back to you with the original target dates as to exactly what they were and what they are now.

Senator PATRICK: Okay. Can you also, on notice, give a description of the work that you have done on the main submarine shipyard to date and how much money has been spent on—

Mr Knox: Yes, I can certainly do that.

Senator PATRICK: work that is not design work—so real work.

Mr Knox: Yes, that's in site set-up.

Senator PATRICK: Can you just assure me at this point in time that none of the physical work that has been done prevents either option going ahead?

Mr Knox: I can do that, yes.

Senator PATRICK: You are doing that now? Are you assuring me now?

Mr Knox: I can provide that to you, but I can also assure you that none of the money has been spent which effectively would not be used depending upon whether you're at option 1 or option 2.

Senator PATRICK: Okay. I have some questions that I'll put a notice for you.

CHAIR: Are there any further questions for ANI? If not, I thank you very much for your attendance and your evidence here this morning.

Proceedings suspended from 10:27 to 10:45

Future Fund Management Agency

CHAIR: I welcome Mr Cameron Price, Acting Chief Executive Officer of the Future Fund Management Agency, and officers from the Department of Finance covering program 2.8, Australian government investment funds.

Senator Cormann: Chair, may I just also welcome Mr Price to this estimates committee as Acting Chief Executive Officer of the Future Fund Management Agency. I should say that this is his first appearance at Senate estimates and he started in the job yesterday, if senators could bear that in mind.

CHAIR: You should have scheduled your first day to be tomorrow, Mr Price—that would have been much better! Thank you very much for joining us. Do you wish to make an opening statement?

Mr Price: Yes. On 4 February, the agency announced that David Neal had resigned from his position as chief executive officer to take up a new career opportunity. David served the agency for nearly 13 years, as the Future Fund's inaugural chief investment officer from 2007 and as chief executive officer from 2014. He made an exceptional contribution to our organisation and was instrumental in the success we have achieved to date. We wish him the very best with his new role. David left the organisation last week, on Friday 28 February 2020. The organisation has commenced a global search to recruit a new chief executive officer. I commenced as acting chief executive officer yesterday, as the minister mentioned. I will provide you with a brief update on the funds for which the board is responsible.

We continue to perform strongly against our objective, which is to strengthen the government's long-term financial position. At 31 December 2019 the Future Fund achieved a 10-year return of 9.9 per cent per annum against a target return of 6.4 per cent per annum. Further, the fund exceeded its target return over all long-term time horizons, while carefully managing risk. The Future Fund stands at \$168 billion. The Medical Research Future Fund, the Aboriginal and Torres Strait Islander Land and Sea Future Fund, the DisabilityCare Australia Fund and the Future Drought Fund continue to perform as intended. On 12 December 2019 we took on management of the Emergency Response Fund, which was established with a capital contribution of \$4 billion. In total, across the six funds, the Future

Fund Board of Guardians now invests \$212 billion for the benefit of future generations of Australians. I welcome your questions.

Senator WHISH-WILSON: Congratulations on your 9.9 per cent, by the way. That's an outstanding return. It has been reported that the Future Fund investment in technology has given you real-time visibility on investment exposures across all asset managers. Dr Arndt is quoted as saying:

When a big event happens, in 60 seconds we can assess the exposure and consider what we should do.

Is that correct? And how do you do that?

Dr Arndt: For a number of years we've been investing in the technology platform, and, as the committee would know, the portfolio itself is quite complex. We've got lots of different investments. The system we have built, and we continue to build, maps each asset onto a database, and there are certain characteristics we can attach to that. So, in the example that you quote, we're able to look into the portfolio, whatever the most recent information is, and look, for example, at what the exposure is to a particular industry—for example, transport or education or a particular geography—and the system can pull that data both from the listed portfolios, like equities, and the unlisted portfolios, like private equity.

Senator WHISH-WILSON: What about the impact of the coronavirus, for example, at the moment? Have you been able to access the potential response in your assets to a wider outbreak?

Dr Arndt: Obviously we're thinking very hard about that. The impact of the virus is clearly significant, particularly on the Chinese economy. We've had a look at our exposure to the industries I was talking about before—transport and education and other industries—that would be exposed to that. In the case of the Future Fund, of course, we have been speaking for quite a few years now about the importance of understanding risk and the fact that we see risk is rising, and the importance of a diversified portfolio. So, at the current time, the Future Fund is highly diversified and we feel like it's very well positioned for this type of event.

Senator WHISH-WILSON: In your quote, when you're talking about an event and being able to ascertain some kind of sensitivity within 60 seconds, are you talking more about a financial event like a drop in the Dow Jones or that kind of event, rather than—

Dr Arndt: Well, we're not talking about modelling a specific occurrence, because obviously you can't predict every type of thing that would happen. But what we can do is look at what our exposure is. If something happened in a particular country or that impacted a particular industry, we would be able to look back to the portfolio and say, 'What is our exposure to that, and therefore should we do something about it?'

Senator WHISH-WILSON: That's perhaps for acute exposures. What about looking at more chronic or longer term exposures to different scenarios? Do you do any sensitivity analysis in that regard?

Dr Arndt: We do a lot of sensitivity analysis, but what we try to do—again, you can't predict specific events—

Senator WHISH-WILSON: No, but you can run scenarios, case studies.

Dr Arndt: That's right, and what we try to do is have a range of scenarios that we think are plausible, and we run the portfolio through those scenarios and then look at what the

fund's performance would be in each of those. So it's easy to think that, if economies go well, if interest rates stay low, the portfolio would do well, and lots of funds are set up that way. Our job is to think about the other types of events and how we diversify the portfolio so it would do acceptably in every scenario.

Senator WHISH-WILSON: I've asked at the last couple of sets of estimates about what the Future Fund's exposure is to the energy sector, particularly to fossil fuel investments. You answered on notice to the last estimates that there is complexity in separately identifying fossil fuel and renewable energy companies, which makes estimates extremely uncertain. Is that still the case?

Dr Arndt: It is the case. We could answer the question in respect of the energy sector, I believe, but it's the next level down—so there are many, many companies that are undertaking transitions themselves, away from fossil fuels to renewables, in the system. At the moment the data isn't able to look through that to say how much of this is exposure to fossil fuel based energy production versus renewables.

Senator WHISH-WILSON: Could I ask you about quantifying carbon risk. The Senate has done quite a long, detailed inquiry into carbon risk and how to account for that. I understand you have fund managers; you outsource the majority of your management. Similar to the questions I've asked earlier, has there been any more of a coordinated approach within the Future Fund to try and speak to your fund managers to quantify your exposure to carbon risk? Carbon risk, as you know, comes in different categories—reputational risk, transitional risk, potential financial risk around investments and so on and so forth.

Dr Arndt: As we've answered before, we work with each manager and we want to make sure they're taking these types of risks into account in a way that's relevant to their investment strategy, and we have done that for many years. We continue to do that. We've also said that the risk surrounding the future pricing of carbon in particular is one that we think we need to manage and one that we're focusing on. So we are doing work to encourage the industry to report in a consistent way. We've previously said we support the TCFD initiative, for example, to allow us to better understand those things.

Senator WHISH-WILSON: Australian equities are seven per cent of your portfolio, and at the moment I understand you use one fund manager—correct me if I'm wrong—and that's Macquarie Equities. How often do you review who you use, and is it a possibility you could make it a criterion that those equity managers do need to be able to quantify your potential risk to these asset classes?

Dr Arndt: There are many risks that we have to manage, and the risk associated with future pricing of carbon and climate change is one of those. When we're looking at how we build the portfolios with our fund managers, they're the types of things that we do discuss with them. It's not a risk that we manage in isolation of all the other risks, but it's one of many risks that we think are significant enough to focus on.

Senator WHISH-WILSON: When you say 'manage in isolation', you haven't tried to quantify, for example, what your exposure might be to fossil fuel assets? Rio Tinto's CEO, for example, was reported in the fin review yesterday as saying, 'Look, we need to have this discussion. Our returns are potentially going to be impacted by this, but do we go down the road of greening up more and divesting from certain fossil fuels?' And they were kind of

putting it onto their shareholders to have that discussion and have that debate. This has been considered by many boards, as you know, and many CEOs of companies that you are potentially investing in, so I do believe it is an emerging risk that is being taken very seriously by financial markets.

Dr Arndt: We agree with that and we do talk to these companies about those issues. Where we think a company is exposed to potential future risk, we absolutely engage with them to make sure that we are comfortable with the way they are dealing with transitions.

Senator WHISH-WILSON: So on developed market equities, which I understand is about 19 per cent of your portfolio, you use four fund managers—Blackstone, BlackRock, Man GLG and State Street. Is that correct?

Dr Arndt: That's correct.

Senator WHISH-WILSON: Similarly, have you asked any of them to detail their exposure to carbon risk?

Dr Arndt: We take the same approach with them. Some of those managers have very short-term strategies and they don't hold positions for very long. So before when I was saying that we work with fund managers to think about these types of risks as appropriate to their mandate, if their average hold period is only a few months, we wouldn't push them too hard on those types of issues, but where we have a longer hold period, which some of those managers do, then it is one of the risks we talk to them about, absolutely.

Senator WHISH-WILSON: Has BlackRock communicated to you directly their intention to get out of coal, to exit coal, because I know they put that statement out there.

Dr Arndt: We have discussed it with BlackRock, yes.

Senator WHISH-WILSON: Could I ask you about the green swan discussion that is going on at the moment? The Bank for International Settlements recently released a report stating that climate change could lead to green swan events and be the cause of the next systemic financial crisis. Has the Future Fund responded to this report in any way, as in, for example, had discussions with your managers or with the government about this potential risk?

Dr Arndt: Could you explain what you mean by a 'green swan event'?

Senator WHISH-WILSON: Green Swan event, like a black swan event, as you know, may be perhaps an exogenous shock to the system that was unpredicted from something quite rare and unusual. A green swan event relates specifically to climate. So the outbreak of a virus that's been caused by climate change, potentially a war or conflict. You could almost argue this summer's bushfires at an estimated \$100 billion damage to the economy is a green swan event; although I would probably disagree with that because it has been predicted for some time that this kind of thing would happen. So it relates specifically to exogenous shocks to the system that are climate or environmentally related—mass fish mortalities leaving countries without protein, because that's their livelihood—more acute events than potentially systemic or chronic events.

Dr Arndt: Our job is to maximise investment returns over a long time horizon, so the way we would approach those types of issues is to think about whether there are reasons why economies and financial markets might operate differently in the long run rather than over

short time periods. As our chairman said a few weeks ago publicly, the risks associated with climate change and energy transition are significant and they are ones that we have to think about and manage alongside the other types of long-term risks we are thinking about.

Senator WHISH-WILSON: So in terms of quantifying, for example, the potential risks, they are claiming it could be the next systemic financial crisis. You don't believe it is of a similar quantum to that? You haven't assessed that?

Senator WHISH-WILSON: The way we would build the portfolio would be to be well diversified and resilient to any type of shock event.

Senator WHISH-WILSON: But you have got to understand the problem and it sounds like you haven't even read that report or you didn't even know it existed. Feel free to correct me if I'm wrong.

Dr Arndt: Which one?

Senator WHISH-WILSON: The Bank for International Settlements report.

Dr Arndt: I haven't read the report but I have seen summaries of the report, yes. For our purpose, the cause of a shock to financial markets is less relevant than the nature of the shock. So when we are building portfolios, we try to build a resilient portfolio to any type of shock. The transition to low-carbon energy sources, the potential change in weather patterns and so forth are one source of those types of things, and we are certainly studying them and thinking about them alongside lots of other things.

Senator WHISH-WILSON: I know you can do that purely through diversification as one example of how you might manage that risk but it does seem intuitive to me that you cannot manage what you don't monitor and, without a risk disclosure framework, it is going to be very hard to do that. Let me give you another statement from the report: The Bank for International Settlements in the same report called for a mandatory disclosure of climate-related risk for financial institutions such as yourself. Given you are such an important financial institution to this country, do you accept that Australia's sovereign wealth fund could take a leading role on climate risk reporting and set the bar for other financial institutions?

Dr Arndt: As we said in October when we were here, we support disclosure reporting on these risks and we support the CFD framework. The reason for that is so that people like us can make informed decisions about what they should invest in, what the risks are and whether they are being properly managed by companies and management teams. In our case, as data evolves and becomes more available, it would be easier for us to look at our portfolio in one consistent way and do that. The technology that exists at the moment that people are using is not very precise, so it is an area we are looking to develop. As there is no-one trading in and out of the Future Fund as there would be in public equities, for example, the cost and effort of going to that right now, we don't think, are worth the benefit.

Senator WHISH-WILSON: Can I give you an example why I would respectfully disagree. Yesterday in estimates—it surprised even me as a Green, someone who has been campaigning on climate change for many years—the Bureau of Meteorology disclosed that they believed we were on track to a four-degree warming by the end of this century. That may seem like it is a long way away—80 years away—but if that is the case on a current emissions trajectory then the risk is that we will see transition risks as we try to do things to prevent that

from happening, I would hope. You do not accept that is a significant potential risk not just to the economy but also to your investments in Australia and internationally?

Dr Arndt: We have already said that energy transition and global warming are significant risks. I do not want to give you the wrong impression, so I will give you a different example. When we look at long-term asset holds—for example, investing in infrastructure or property—we do look at these types of issues and risks.

Senator WHISH-WILSON: Like physical risks?

Dr Arndt: Yes, physical risks, what is an energy source, what is the potential future price of energy? We take them into account when we are doing due diligence in making those investment decisions. We have been doing that for many, many years. We continue to do that and we continue to enhance our approach in terms of how we work with data vendors and focus on due diligence to take those things into account.

Senator WHISH-WILSON: But even with equities, if you see a fund manager as significant as BlackRock suddenly exit coal companies and assets, that in itself is going to have a volume effect on your holdings in those areas, not to mention the roll-on effect, where you may see other companies making similar ethical decisions. You do not see that as a risk to the Australian people's returns?

Dr Arndt: I have already said that we agree that climate change and its effects are a risk that we have to take into account in Australia.

Senator WHISH-WILSON: Mr Price, you are in a transitional role, so I would like to put this to you or to the board or potentially to the new CEO. It is the same question I asked at last estimates around social impact investment or social impact purpose. The Future Fund made a very specific decision to get out of tobacco, which was about social impact investing. At what point would you make the same decision for fossil fuels given that the science is clear if we continue to burn them? We may not have known this as well or as scientifically as we do now 10, 20 or 30 years ago. But we now know the more we burn, we are going to see catastrophic events like we did this summer. At what point do you think the Future Fund would exit fossil fuels based on a similar ethical overlay of its investments?

Mr Price: I think as Mr Neal said at the last estimates, we have an investment mandate to generate a long-term financial return. We don't have a social impact mandate, so, as Dr Arndt has been saying, we take climate risk into account in terms of how we invest the portfolio and what scenario could impact the portfolio, but we don't have a social impact mandate.

Senator WHISH-WILSON: So you would be comfortable having tobacco in a diversified portfolio.

Senator Cormann: That was a unique judgement that was made. It was explained as a unique judgement, and it remains a unique judgement.

Senator WHISH-WILSON: I'm glad you did by the way, Minister. I'm sure everyone's very glad you did, but surely divesting fossil fuels would also be a unique arrangement at a point in history when we absolutely need to do this.

Senator Cormann: I disagree.

Senator WHISH-WILSON: Even a transition strategy around fossil fuels?

Senator Cormann: I don't agree that it would be appropriate to give the Future Fund the sort of direction that you appear to be suggesting in relation to legitimate legal businesses supplying very important goods and services to people all around the world.

Senator WHISH-WILSON: Except they face significant potential liabilities in terms of the impact of fossil fuels—

Senator Cormann: And the Future Fund is properly assessing those risks as appropriate through their approach to investing the funds that they look after on behalf of taxpayers.

Senator WHISH-WILSON: Minister, do you understand the magnitude of four degrees warming on this country alone and what impact it would have on the committee, the environment and our economy?

CHAIR: Senator Whish-Wilson, that does not sound like an appropriate question for this committee or this minister.

Senator WHISH-WILSON: It's quite extraordinary—

CHAIR: I think I've been pretty generous with the time that I've allocated to you, given that your colleague Senator Steele-John has indicated he has questions, and I know Senator Gallagher has questions as well.

Senator STEELE-JOHN: I might direct these to you, Dr Arndt, but, if they're for somebody else, please let me know. Does the Future Fund still have investments with Lockheed Martin? Are you able to give me some information on your investments?

Dr Arndt: I can't answer that question. If the question is about which companies we exclude, the board has made a decision to exploit certain companies in the armament space associated with companies that undertake economic activities in breach of treaties that the Australian government signed, and we publish the list of those exclusions.

Senator STEELE-JOHN: No, it's not an exclusion question. It's actually the reverse; it's an inclusion question. Are you able to tell me whether or not you have investments with Lockheed Martin?

Dr Arndt: I'd have to take that on notice.

Senator STEELE-JOHN: Could you?

Dr Arndt: Yes.

Senator STEELE-JOHN: Could you similarly tell me whether you have investments with Thales of France?

Dr Arndt: Again, I'd have to take that on notice.

Senator STEELE-JOHN: Do you know off the top of your head? Can you provide me with that information now? I know you can take it on notice but I would—

Mr Price: Not off the top of my head either.

Senator Cormann: These are very specific questions in relation to specific investments. As Mr Neal at various times has explained in the past, the Future Fund invests through funds managers. It doesn't invest directly in the way that you appear to be suggesting in your question. However, in an abundance of helpfulness, on notice we might be able to assess what information we can provide to you. But it's very difficult on the spot to provide the sort of information you're seeking.

Senator STEELE-JOHN: Can you also take on notice for me whether the fund has invested in Honeywell of USA and BAE Systems of the UK?

Mr Price: Yes.

Senator STEELE-JOHN: Are you aware of the World Health Organization's assessment and conclusion that nuclear weapons constitute the greatest immediate threat to the health and welfare of mankind and that no health services currently available in the world would be able to provide a meaningful response to the vast numbers of casualties from even a single nuclear explosion over a city? Are you aware of that assessment? Or, indeed, is the fund aware of that assessment?

Dr Arndt: As I said, the board's approach to these issues is to exclude companies where their economic activity would be prohibited by a treaty that the Australian government—

Senator STEELE-JOHN: Yes, I understand that. But are you aware of the assessment I have just alluded to—

CHAIR: I understand what you are trying to get at but I don't think it is fair to ask witnesses from the Future Fund about various reports they may or may not be aware of. That is going well outside their investment mandate.

Senator STEELE-JOHN: This is potentially relevant to companies they have invested in.

Senator Cormann: You are making assumptions. The truth of the matter is that the Future Fund has a very clear mandate to maximise return, based on a certain risk profile and return target. They are exceeding, in terms of their performance on the mandate that they have been given—

Senator STEELE-JOHN: I do understand—

Senator Cormann: But the Future Fund neither has the expertise nor the responsibility to make the sorts of judgments that you are inviting them to make.

Senator STEELE-JOHN: I am not asking them to make any judgement. In fact, the reason I am asking this question is that in 2013 the fund provided information to the Senate alluding to the fact that you were invested with all of the companies that I have just listed to you—

Senator Cormann: And we may well still be. BAE Systems, which is one of the companies you mentioned, is also a company that provides substantial services to the Australian government and is responsible for building our next generation of frigates.

Senator STEELE-JOHN: I am aware of their practices. I almost feel a moral obligation to also ask you, gentlemen, whether you are aware that the Bulletin of the Atomic Scientists has significantly increased their risk assessment in recent years in relation to nuclear catastrophe. We are now at 100 seconds to midnight. Is the board aware of this assessment?

CHAIR: I really don't think that assessments of the likelihood of nuclear catastrophe are within the Future Fund's remit.

Senator STEELE-JOHN: No—the reason I come to this is that the companies that I have referenced, which you put on public record that you were invested in in 2013, are significant players in the manufacturing of nuclear weapons. That is a reason I put this question to you. My follow-up question is simply this. Given the assessments I have just listed to you, is the

board undertaking any process whatsoever to ascertain the extent to which Australian public funds are invested in the manufacturing of nuclear weapons?

Dr Arndt: As I have already said, the board's approach to this particular issue is to exclude companies where their economic activities are in breach of a treaty that the Australian government signed.

Senator STEELE-JOHN: I am not talking about a treaty we have signed. I am asking if you are undertaking any current efforts to assess the extent to which public funds are being invested in the manufacture of nuclear weapon components? If you're not aware of any process—

Senator Cormann: I think you are well and truly exceeding the capacity for the Future Fund to assist you. Within Australia we are making a substantial investment into our future defence capabilities and we hope that, around the world, our friends and allies, the US and others, continue to substantially invest in their future defence capabilities. To the extent there are private sector businesses that are helping to deliver these increased capabilities, of course funds like the Future Fund, conceptually, subject to their usual judgements on investment returns and the like, should be able to invest in businesses providing goods and services of this nature to their respective governments. I would fundamentally disagree with any suggestion otherwise.

Senator STEELE-JOHN: Well, I will ask you, Minister, if you are comfortable with the notion that Australia's public funds, as invested by the Future Fund, may well be going to support the manufacture of nuclear weaponry?

Senator Cormann: I am very comfortable with the way the Future Fund is doing its job for the Australian people, maximising the return on the funds that they have under management. As I have just indicated, of course they should be able to invest in lawful, legitimate businesses delivering a return. The only exception we have made, the only exception the Future Fund has made, relates to tobacco companies. That is one that we endorse as a government. But beyond that, we are not proposing any other exemptions or exclusions.

Senator STEELE-JOHN: Thank you.

Senator GALLAGHER: Mr Price, congratulations on your acting role. My first question goes to the process for appointing a new chief executive. Could you update us on where that search—I think the board said there would be a global search—is up to?

Senator Cormann: I think Dr Helgeby might be the best person to assist you there.

Dr Helgeby: The role that we're talking about is a Public Service Act role. As Mr Price indicated, there is a global search underway, which is being done by the chair of the board.

Senator Cormann: Also a public officer under the Future Fund Act.

Dr Helgeby: Under the Future Fund Act. But because it is a public service role it will go through the normal public service procedures.

Senator GALLAGHER: Are you using a recruitment agency for that?

Dr Helgeby: We are not directly involved in it. It is being run by the chair in the capacity of the chair of the Future Fund board of guardians.

Senator GALLAGHER: Who can answer the question as to whether there is a recruitment contract for this, and how much it would cost?

Senator Cormann: What we may best do here, because neither Mr Price nor Dr Helgeby can give you answers to that level of detail, is take those questions on notice and provide answers on notice in the usual way.

Senator GALLAGHER: Do you have a date for when you have to have this finalised?

Senator Cormann: As soon as possible and as long as necessary. We want the right person for the job. Obviously, we would like that to be finalised as soon as we can, but the Future Fund board of guardians will take the necessary time.

Senator GALLAGHER: In relation to the Emergency Response Fund, which you now have responsibility for, I think that came across on 12 December. Is that right?

Dr Helgeby: That's right.

Senator GALLAGHER: So it is sitting in the contingency reserve at the time of MYEFO? Is that right?

Dr Helgeby: I might take you to portfolio additional estimates statements for the finance portfolio. I think you can see the movements there. So—

Senator GALLAGHER: What page?

Dr Helgeby: Page 37. Basically, page 37 shows the opening credit, which was \$3.967 billion, which was due to the abolition of the Building Australia Fund, which is on page 34 of those statements.

Senator Cormann: You have essentially entry at each exit and entry—page 37 and 34.

Dr Helgeby: Sorry, I was on the wrong one.

Senator GALLAGHER: Yes—it's not the Future Drought Fund I'm worried about; it is the Emergency Response Fund.

Dr Helgeby: My apologies. I was on the wrong thing. It is the Education Investment Fund, which appears on page 35 of that yellow document, which was closed and then led to the creation of the Emergency Response Fund.

Ms Huxtable: You will see at the footnote to table 2.2.1.4—just goes through—

Senator GALLAGHER: At the time—okay. So it was in the contingency reserve? Is that right?

Senator Cormann: Yes, it is what is says there:

Note 1: Pending the passage of the legislation, the ERF estimates were held in the Contingency Reserve in

MYEFO 2019-20. ...

Senator GALLAGHER: Is the \$200 million that is to become available yearly from this fund available in this financial year?

Dr Helgeby: Yes, it could be drawn down, but it is still in the set-up phase.

Senator GALLAGHER: Is it the government's intention to release \$200 million this year?

Dr Helgeby: That is a matter for the government.

Senator GALLAGHER: Yes—I am asking the minister.

Senator Cormann: When the measure was initially taken to establish the fund, there was no precise certainty around the timing with which the legislation would pass. Our intention is to get this in place and in position as soon as possible. That would be one of the decision points as we are putting the budget together for 2020-21. But, of course, that has no bearing on the work of the Future Fund, because they just invest the funds. We will be responsible for allocating the \$200 million yearly allocation.

Senator GALLAGHER: Is there anything, Mr Price, as part of the Future Fund's investment relating to this fund that would prevent \$200 million being made available this year?

Mr Price: Under the legislation, the board is required to maintain a sufficient level of liquidity to enable withdrawals as and when the government decides to make them.

Senator GALLAGHER: So in terms of the amount you've got, you've got nearly—

Senator Cormann: The answer to your question is yes.

Mr Price: The answer is yes. The board is required to maintain that liquidity enable those withdrawals.

Senator GALLAGHER: Is there \$4 billion in there at the moment? Is that right?

Mr Price: Yes, approximately \$4 billion.

Senator GALLAGHER: So with that amount in the account, if the government's intention is to withdraw \$200 million a year, is there anything that—

Senator Cormann: The forecast and projections of the measure at the time, in terms of what was expected to happen both to the capital and to the outlays, assumed that there would be a \$200 million expense on a yearly basis. But the formal decisions in relation to all of this have to be finalised as part of the budget process.

Senator GALLAGHER: So the government hasn't taken a decision to withdraw \$200 million from that fund this financial year?

Senator Cormann: I can't speculate on the budget process. In MYEFO, we didn't yet have that measure, because the fund wasn't yet fully established. But we are now in a position to make that decision. Having announced our intentions, I think you can be confident that we will be proceeding as planned.

Senator GALLAGHER: I recall from the debate that it was fairly urgent that this bill be dealt with, and there were arguments from the government—I think you tagged that it would be \$3.9 billion but \$200 million going out into certain initiatives. I'm trying to understand whether that is going to happen this financial year or next financial year.

Senator Cormann: This financial year, there is a significantly higher amount going out to national emergencies across a whole range of emergencies.

Senator GALLAGHER: This was always separate to that.

Senator Cormann: That's right. We are dealing with very urgent emergency issues, including through the \$2 billion bushfire recovery fund and the significant funding we've put on the table in relation to other emergency related matters. But the decisions in relation to the

allocation of expenditure for this fund—as we make with the Medical Research Future Fund, incidentally, on an annual basis—are yet to be made as part of this budget process.

Senator GALLAGHER: So we'll find out in the budget whether you're going to deliver the \$200 million promise—

Senator Cormann: What we are going to deliver.

Senator GALLAGHER: through that fund? In your annual report, I noticed there's a very high separation rate for 2018-19 for staff. It goes from 6.5 per cent to 5.2 per cent in the two years prior to this reporting period and then goes to 18.6 per cent in 2018-19 without a footnote. It doesn't explain it. Could you explain why it just trickles?

Mr Price: I think, as Mr Neil might have explained in the 2018-19 year, there was a restructure. So we had, traditionally, a very low turnover in our organisation, and there was a restructure in the middle of 2018 where some roles were made redundant and some people decided not to continue. We had some other turnover that was completely unrelated as well.

Senator GALLAGHER: Your staff numbers remain similar overall, largely. Are there a few fewer?

Mr Price: Yes.

Senator GALLAGHER: But there's significant turnover within that staff number because of the restructure. Basically, quite a few people left and you took in new people.

Mr Price: That's right. We've also recruited quite a few new people into senior roles as well.

Senator GALLAGHER: There are no women reported in the top SES positions in the organisation, although I noticed that Ms McPherson, who, I think, is chief culture officer—

Mr Price: Yes.

Senator GALLAGHER: Where does she appear? She's not in the SES 3, 2, or 1.

Mr Price: The Future Fund Management Agency is limited to four SES roles, so Elizabeth McPherson and I, for example, are not SES, because we're limited to four people.

Senator GALLAGHER: Presumably you're sitting elsewhere now, but you were previously in the EL band?

Mr Price: That's correct—EL2, I think.

Senator GALLAGHER: There's no board member here, but there is quite a gender disparity in classification and seniority within the organisation. Is that an issue that's been raised anywhere within the organisation?

Mr Price: As I think has been mentioned before here at the committee, we recognise that women are underrepresented in the most senior roles in the organisation, and that is something that we're working on through time.

Senator GALLAGHER: And in the part-time/full-time breakup as well. So you are working on it?

Mr Price: Yes.

Senator GALLAGHER: Through a recruitment strategy that targets women?

Mr Price: I can't speak for the CEO process, but our general process with recruitment agencies is that we require a balanced shortlist from them where it's at all possible. That's just one example of the measures we take.

Senator GALLAGHER: It also looks like you've had five people start working in New South Wales who weren't there before. Most of your staff—all of the rest of your staff—are in Victoria. Then it says that by June 2013 you had five staff working out of New South Wales. What's that?

Mr Price: We have a very small office in Sydney.

Senator GALLAGHER: That's new, is it?

Mr Price: We've had it for a few years. Traditionally it was used for meetings in Sydney—for example, with investment managers and others.

Senator GALLAGHER: For your travelling staff?

Mr Price: For travelling. But we have now recruited some roles, including a few more senior roles, that are based in Sydney but spend significant time in Melbourne.

Senator GALLAGHER: Okay. I might have a look at that further. In relation to the remuneration outcomes for key management personnel, I'm just interested in why it looks like lower superannuation is paid to the senior people—the former chief executive officer and the chief investment officer. It looks like they just sit under the cap.

Mr Price: Each individual has to decide how they invest with their superannuation.

Senator GALLAGHER: But these are the employer contributions.

Mr Price: Yes. If you select the PSSap as your superannuation fund, it's mandatory that 15.4 per cent, I think, has to be contributed to that superannuation, whereas others, who are not in the PSSap, can have a lower contribution rate if they're in a private superannuation fund.

Senator GALLAGHER: But if you're earning \$650,000, with the opportunity for \$770,000 in bonuses, I cannot see any way that your superannuation contributions would get to \$25,000. They would be more than that. In that instance, are you able to say, 'I want to get paid less super than the minimum amount'?

Mr Price: I can only speak for myself, but there's a minimum amount that obviously, under legislation, you have to contribute to superannuation.

Senator GALLAGHER: Yes, the superannuation guarantee.

Mr Price: But, beyond that, obviously there's also a cap on superannuation contributions regardless of your remuneration.

Senator GALLAGHER: Yes, I know. It looks like it just sits on there.

Mr Price: Those people would be making their superannuation decision based on their legal requirements but also depending on which fund they are in. For example, with the PSSap, there is actually a greater contribution requirement.

Senator GALLAGHER: Well, the SG contribution on a \$648,000 base salary would be more than \$25,000. That's what intrigued me. But I'll follow it up on notice because there's obviously a story there. I'm happy to leave that there.

CHAIR: Are there any further questions for the Future Fund? If not, I thank you very much for your attendance this morning and your evidence, and I look forward to seeing you next time.

Department of Finance

[11:30]

CHAIR: We will now begin examination of outcome 1 of the Department of Finance, then proceed to the areas in outcome 2, for which Senator Cormann has responsibility, and then outcome 3. At the completion of outcome 3 the committee will examine the Independent Parliamentary Expenses Authority before returning to the areas of outcome 2 for which Senator Seselja is responsible. Following that the committee will examine the Australian Electoral Commission. Minister, do you wish to make an opening statement at this time?

Senator Cormann: No, thank you.

CHAIR: Ms Huxtable, do you wish to make an opening statement at this time?

Ms Huxtable: No, thank you.

CHAIR: We will start with outcome 1 and see how we go.

Senator GALLAGHER: Minister, just before we get into Finance, last night ANAO confirmed that decisions made about the allocation of funds from the Community Sport Infrastructure Program were being made between the Prime Minister's office and the minister on 10 April and 11 April. Were you aware of these facts?

Senator Cormann: I don't accept your description of them as facts based on what I know. As I advised at estimates yesterday, in the session with the Department of the Prime Minister and Cabinet, I spoke directly to Senator McKenzie during lunch break yesterday. Senator McKenzie was absolutely unequivocal that she signed the decision brief in relation to those projects on 4 April 2019, and, I am led to believe, any subsequent communications related to announcement arrangements in the usual way. That is the extent of my knowledge.

CHAIR: Minister, thank you for the answer. You might be happy to answer, but I also want to make sure that the questions actually relate to the relevant estimates we have before us right now, Senator Gallagher, so please at least make some attempt to connect it to the Department of Finance.

Senator GALLAGHER: I am asking this to the minister in his role as the Minister for Finance. We have a whole range of questions about sports grants, which the Department of Finance is responsible for.

Senator Cormann: Let me just be very clear, as the Minister for Finance I had no involvement and no visibility in relation to the decisions to allocate funding to specific projects under the sports grants program. It is well understood publicly now, on the public record, that sports Australia as a corporate entity was not subject to the Commonwealth Grants Rules and Guidelines. Indeed, that is one of the recommendations that the Auditor-General made, for that to change, and the government is acting on that recommendation and acting to change that. But in my role as Minister for Finance I had no involvement and no visibility in relation to the decisions made by the minister for sports at the time in relation to specific grant applications.

Senator GALLAGHER: We will come back to that. I would seriously question any reluctance to answer questions on this subject—

Senator Cormann: I don't think I have displayed any reluctance—

Senator GALLAGHER: Seriously, it will look very bad for you if you try and avoid answering questions on this subject that have come up overnight—

Senator Cormann: I think I answered the question directly so I reject that characterisation.

Senator GALLAGHER: I think it's going to make it a lot easier if I just get through my line of questioning—

CHAIR: Yes, Senator Gallagher, but that speech does not free you from the obligations to stick to the standing orders of the Senate, and estimates is not a free-for-all to ask any political question you wish because it suits your timetable—

Senator GALLAGHER: I can understand why the government doesn't want these questions asked—

CHAIR: Senator Gallagher, we spent almost an entire day—

Senator GALLAGHER: We had these revelations last night and now you're running interference on—

CHAIR: Order! We spent almost an entire day on it yesterday with PM&C and there was no attempt to restrict your questions in any way, shape or form—

Senator GALLAGHER: And we've had new information overnight.

CHAIR: You also have a concurrent inquiry where you can explore these matters however you wish. All I ask is that you make it relevant to the Department of Finance, which is appearing before us.

Senator AYRES: Chair, with respect, if the minister doesn't want to answer the questions, he should indicate that.

Senator Cormann: Don't bring me into it. I'm not actually answering.

Senator AYRES: Let me be very clear. If you don't want to answer them, you should indicate it. It's not for the chair to run interference on that.

CHAIR: No. In fact—

Senator AYRES: We got more straightforward answers in four minutes from the Audit Office than we had in four hours yesterday from the minister. I think Senator Gallagher is entitled to ask the questions.

CHAIR: It's not up to the minister to decide what is consistent with the standing orders. It's up to the committee to decide, and it's my job as chair to make sure that the questions are relevant to the estimates that we're examining. If Senator Gallagher has questions about the Department of Finance's involvement and visibility in this then by all means knock yourself out. I will not attempt to restrict that in any way. But please at least try and make it relevant to what we've got.

Senator GALLAGHER: I'm going to continue. If you want to stop me and prevent me from asking these questions, that will reflect badly on the government. That's my response to that.

CHAIR: Senator Gallagher, it reflects badly on your contempt for the Senate estimates process.

Senator Cormann: Is that an independent editorial assessment? Is that an objective editorial assessment?

Senator GALLAGHER: Minister, did you have a look at the evidence last night from the ANAO?

Senator Cormann: I didn't have a look at it. It was late and I was at another commitment, but I have been broadly made aware of the nature of what the ANAO said.

Senator GALLAGHER: Their evidence to the committee was that there were two spreadsheets, one which was returned to Sport Australia at 8.46 am, which had changes made to it from the brief that had been sent to the Prime Minister's office the day before, and that those changes were made at the request of the Prime Minister's office.

CHAIR: Senator Gallagher.

Senator GALLAGHER: Those were then sent to Sport Australia. Then there was another brief sent later in the day, at 12.43, which had made another 10 changes to that. The Audit Office says those were decisions that were taken in the minister's office. That is the evidence from the ANAO. In light of that, are you going to reflect on the comments you have made to the Senate and to this committee in terms of what your understanding of the facts was?

CHAIR: Before you answer, Minister—

Senator Cormann: I'm happy to answer.

CHAIR: And I'll give you an opportunity to. Senator Gallagher, could you please explain to the committee the connection that your question has with outcome 1 of the Department of Finance?

Senator GALLAGHER: It's related to the audit report and comments the minister has made. It's also a recommendation of the audit report. One of the recommendations is that the guidelines are covered by the guidelines that are administered by the Department of Finance, which the government has accepted. I will be getting to that point shortly.

CHAIR: I look forward to that.

Senator Cormann: Senator Gallagher, I stand by the evidence that I provided yesterday, which was provided based on my state of knowledge. In order to inform my state of knowledge, given the questions that were raised by senators in the morning session yesterday, I spoke to Senator McKenzie, because the allegation that was made—quite inappropriately, I felt—was that somehow the brief had been backdated, which is not correct. Senator McKenzie gave me an unequivocal reassurance—no ifs, no buts—that she signed the decision brief on 4 April. She subsequently travelled, which is, as I understand it—although I'm not aware of all of the mechanics of this—why there might have been some delay in the logistics of getting the brief back to Sport Australia. My advice is that subsequent communications between then Minister McKenzie's office and the Prime Minister's office related to announcement arrangements. I don't have any knowledge beyond that. As I've indicated to you, as Minister for Finance I do not have visibility of specific decisions on grants applications in this or any other portfolio, for that matter. If it's a portfolio that does come under the Commonwealth Grants Rules and Guidelines, there are certain reporting

requirements to the finance minister. In relation to Sport Australia, those reporting requirements did not apply, so I did not have any capacity to have visibility in relation to these things. I've been reassured by the minister that she approved the brief on 4 April, consistent with the program guidelines that had been issued by Sport Australia.

Senator GALLAGHER: So the Audit Office's evidence to the committee last night is incorrect. Is that what you're alleging?

Senator Cormann: All I can do is answer your questions to the best of my ability. I can't speak for the Audit Office. I can only speak for myself. And the answers that I'm giving you are the answers based on my state of knowledge.

Senator GALLAGHER: The evidence the Audit Office has given this committee, which is that decisions were being made on 10 and 11 April, and then attached to a brief that was signed on the fourth, is inconsistent with the answers that you have given in the Senate and in this committee.

Senator Cormann: I'm not aware of the basis of why the Audit Office is saying what they are saying. Based on what I know—

Senator GALLAGHER: Because they have the spreadsheets. They have the evidence. That's what they told us last night.

Senator Cormann: Again, I have seen a lot of evidence from the Audit Office in the Senate select committee inquiry, where they made clear that no project which received funding was ineligible to receive funding. No project was ineligible—

Senator GALLAGHER: At the time of assessment. I think you have to include those words.

Senator Cormann: I've seen evidence where they've indicated that they could not observe the sort of bias that Labor was suggesting there was. The Senate select committee—

Senator GALLAGHER: We're going to a different point here.

Senator Cormann: will have the opportunity to get all of the relevant parties in front of the committee to provide evidence. I had no involvement in that particular grants program. I have no visibility.

Senator GALLAGHER: I know. My questions are about the answers you are giving. I know that you are a stickler for being correct and treating the Senate and committees with respect.

Senator Cormann: Thank you for that.

Senator GALLAGHER: But, frankly, you have made comments such as:

Any communications between Senator McKenzie's office and the Prime Minister's Office subsequent to that date—

10 and 11 April—

were around announcement logistics and making arrangements for the relevant announcement schedule ...

That is clear, based on the evidence of the Audit Office last night, not to be correct. The Audit Office has said they were making decisions where projects were moving in and out, allocations of funds were being changed, and they were being changed when the caretaker

convention had kicked in. I am asking, from your comments that you're making, not anybody else, whether or not you need to reflect on your comments and make a further statement.

Senator Cormann: Let me say it again. As finance minister I had no visibility in relation to this program whatsoever—none—in terms of decisions in relation to grant applications. In fact, there weren't even the otherwise applicable reporting requirements, because Sport Australia as a corporate entity wasn't subject to the Commonwealth grants rules and guidelines.

In relation to the matters I addressed yesterday, in my capacity as representative minister for another portfolio, the answers I provided were based on the advice that I was given. I don't have any other capacity to make up other answers in a representative capacity. All I can do is rely on the advice I was given, and the advice I was given directly by Senator McKenzie was that she signed the decision brief on 4 April and that subsequent communications related to announcement arrangements. All I can say is there is a dedicated select committee looking into the operation of this grant program. The establishment of that select committee is something we supported as a government. There will be ample opportunity to explore the diversity of views and perspectives there. I am not aware of the basis on which the Auditor-General's office made the statements they made because I do not have direct visibility of all of the relevant processes.

Senator GALLAGHER: Minister, I accept that you did not have visibility, and I accept that you were not involved to any degree in the decisions around these grants. But you have made a number of statements, including yesterday, when you said:

The relevant brief was signed on 4 April, about seven days before the government went into caretaker mode, and that is when the decisions were made.

Last night we found out that decisions were being made on 10 and 11 April, well into the time caretaker started. You are getting dragged into this—

Senator Cormann: I've got to correct you here. I made very clear that, based on my conversation with Senator McKenzie, Senator McKenzie unequivocally reassured me that she signed the decision brief in relation to these projects on 4 April. That was in the context of allegations that were being made, quite outrageously in my view, at the time. Allegations were being made around the table here that somehow Senator McKenzie had backdated the brief. I came back to this committee, having satisfied myself directly in the break in relation to these matters, to indicate that Senator McKenzie provided me reassurance that she signed the decision brief on 4 April 2019. So I'm relating directly the advice that I've received from the horse's mouth.

CHAIR: Minister, thank you for being accommodating in answering these questions. But, Senator Gallagher, these bear no relationship to the program in front of us.

Senator GALLAGHER: I am getting there.

CHAIR: If you don't have any questions under outcome 1—

Senator GALLAGHER: I do.

CHAIR: we have two options. We can either rotate the call to senators who do have questions under outcome 1 or we can dismiss the officials related to outcome 1 and move on to outcome 2.

Senator GALLAGHER: You're just trying to shut me down because it's getting politically difficult for the government. That's what's happening here.

CHAIR: No, Senator Gallagher.

Senator GALLAGHER: We have a very wide-ranging opportunity for senators to ask questions here. I have a few more, and then I will be able to hand over to someone else, and we have a lot of questions in relation to outcome 1.

Senator Cormann: If it helps, I'm relaxed.

CHAIR: That's kind of you, Minister, but we should actually try to stick to the program at least a little bit, Senator Gallagher.

Senator GALLAGHER: In response to your answer just then, with all due respect, Minister, I can sign a document today on 4 April.

Senator Cormann: That is you saying that you're backdating.

Senator GALLAGHER: All I'm saying is that the brief may well have been signed on 4 April, but decisions were being made well after that. They were. The Auditor-General's—

Senator Cormann: That is not the advice in front of me—

Senator GALLAGHER: Then you're alleging that the Audit Office is lying—

Senator Cormann: and as finance minister I don't have visibility of anything.

Senator GALLAGHER: They're lying in evidence to the committee—

Senator Cormann: That is not what I'm alleging.

Senator GALLAGHER: because they have clear records of the spreadsheets being changed at the request of the Prime Minister's office and, further, at the request of the minister's office. They have the spreadsheets. They won't give them to us, but they were quite clear in their evidence last night that changes to the allocation of funds were being made on 10 and 11 April. For you to argue that the decisions were made on 4 April is fanciful. The program started on 2 April. The brief went up to the minister on 3 April. On 4 April, she supposedly signed it off, although she changed 73 per cent of what Sport Australia sent to her. She then sat on it and did nothing for a week and then sent it to the Prime Minister's office, who then made some changes which then went back to Sport Australia on the morning of 11 April. Then, further changes were sent on 11 April—till almost one o'clock on the day the election was called and we were in caretaker mode. That is what you are asking the Australian people to cop.

Senator Cormann: No. All I can say is what I said yesterday, which is that after the issue was raised yesterday morning in the Prime Minister and Cabinet estimates I contacted Senator McKenzie during the break—

Senator GALLAGHER: Well, you'd better contact her again.

Senator Cormann: and I asked Senator McKenzie when the brief had been signed because the allegation was being made that there may have been some backdating. She unequivocally assured me that she had signed the decision brief in relation to the successful Sport Australia grant applications on 4 April 2019. That is, in good faith, my state of knowledge based on my conversation with Senator McKenzie. There is nothing else—

Senator GALLAGHER: It might be worth having another chat with Senator McKenzie, don't you think? Don't you think you have a responsibility to make sure that what you're saying is correct?

Senator Cormann: I believe that Senator McKenzie absolutely told me the truth.

Senator GALLAGHER: You believe Senator McKenzie, who lost her job over this, over the Audit Office and evidence they have given to the committee.

Senator Cormann: Before you smear Senator McKenzie's reputation—

Senator GALLAGHER: That was a fact.

Senator Cormann: there was a specific breach in relation to an undisclosed conflict of interest, which put Senator McKenzie in breach of the Statement of Ministerial Standards. That is why she offered her resignation. There is no suggestion that she somehow conducted herself dishonourably in relation to the sports grant program overall, whatever smears Labor is trying to spread. This is a program where Sport Australia, incidentally, recommended that only 26 per cent of projects be funded in Labor held electorates. As a result of the decisions of Minister McKenzie to make the funding allocation more equitable, she increased that from 26 to 35 per cent. If Sport Australia decisions had stood, no doubt Labor would have been even more upset about the way this program was administered. The truth is that Minister McKenzie appropriately exercised her discretion to ensure there was a fair allocation of funding across different sports and different geographic areas, and, indeed, to make sure there was an appropriate allocation of funding to Labor held electorates.

Senator GALLAGHER: It's not working, Senator Cormann. Honestly, nobody believes that line from the government. You've got no credit.

Senator Cormann: The decision brief was signed, according to Senator McKenzie on 4 April.

Senator GALLAGHER: And now you're getting dragged into this. You are getting dragged into this as misleading—

Senator Cormann: Because you're asking me questions, so I'm answering them.

Senator GALLAGHER: There are concerns, I think, reflecting on comments you've given in relation to this, that you are misleading the Senate and the committee.

Senator Cormann: I reject that. I actually strongly reject that. As I have indicated, I am providing my evidence in good faith, based on what Senator McKenzie has told me, and Senator McKenzie very clearly—

Senator GALLAGHER: And you are choosing Senator McKenzie over the Audit Office—is that what you are telling the committee?

Senator Cormann: As I say, I am at a disadvantage here because I am not aware of the grounds and the reasons for which the Audit Office have made the statements they have made.

Senator GALLAGHER: Perhaps you should go and reflect.

Senator Cormann: In the end, it is going to be a matter for the Senate select committee into this grants program to weigh up all of the different evidence that is provided and to form judgements. No doubt that's what is going to happen. But I am not in a position to form a

judgement here. All I can say is that, after the issue was raised yesterday, I raised it directly with Senator McKenzie. Senator McKenzie gave me an unequivocal assurance that she signed the decision brief in relation to the third round of sports grants applications on the 4 April 2019. There no ifs or buts. It was unequivocal.

CHAIR: Senator Gallagher, do you have any questions under outcome 1?

Senator GALLAGHER: So she signed the decision brief and then went on making decisions and that's okay?

CHAIR: Order, Senator Gallagher!

Senator GALLAGHER: She signed the decision brief and then made decisions a week later.

CHAIR: Order, Senator Gallagher! You are behaving in a disorderly way. Please don't interject over the chair. Do you have any questions under outcome 1?

Senator GALLAGHER: Yes, I have a lot of questions under outcome 1.

CHAIR: Could you please commence those questions. Otherwise, I'll have to rotate the call.

Senator GALLAGHER: Minister, will you—

CHAIR: Senator Gallagher—

Senator GALLAGHER: I'm just finishing my final question. Minister, are you going to reflect on the evidence that was given last night and perhaps give Senator McKenzie and the Prime Minister a call again and then come back and make any further statement to the committee?

Senator Cormann: I stand by the evidence I gave yesterday. I am looking forward to the Senate select committee doing its job and—

Senator GALLAGHER: So you have nothing to say—

Senator Cormann: I have no reason to doubt what Senator McKenzie told me.

Senator GALLAGHER: Other than the evidence of the Audit Office. Is it just irrelevant?

Senator Cormann: I stand by the evidence I provided yesterday. If there are other things that emerge through the Senate inquiry process—

Senator GALLAGHER: There are other things. They were making decisions during caretaker—that is the other thing. That is what has happened since you last spoke on this matter. So will you reflect on the statements you have given and make any further statement to the Senate after you have done that, including talking to Senator McKenzie?

CHAIR: Senator Gallagher, the minister has directly answered that question.

Senator Cormann: I think we are now going round and round.

Senator AYRES: Just to be very brief, the question is: will you reflect on it and come back?

Senator Cormann: I don't think we need your help.

Senator AYRES: This becoming a problem for you. Last week, you told the Senate the decisions were formalised on 4 April 2019.

Senator Cormann: That's right—

Senator AYRES: Last night, the ANAO said on 10 and 11 April there were emails between Senator McKenzie's office and the PMO 'sorting out what the final list of approved projects would look like'. That is a problem for you now.

Senator Cormann: I disagree. I'm giving answers based on my state of knowledge, and Senator McKenzie unequivocally confirmed to me again yesterday that she signed the decision brief on 4 April.

Senator GALLAGHER: And then made decisions after that.

Senator Cormann: We can continue to go round and round in circles.

Senator SCARR: I have a point of order, Chair. I've got some questions on outcome 1—

CHAIR: That would be novel!

Senator SCARR: and I understood that was the purpose of this session of the committee.

CHAIR: That is very naive of you, Senator Scarr!

Senator SCARR: It probably is, but if we could get the opportunity to perhaps return to outcome 1—

CHAIR: Thank you. I will rotate the call unless Senator Gallagher has questions explicitly on outcome 1 now.

Senator GALLAGHER: I am happy to cede.

CHAIR: Okay. Then we'll go to Senator Scarr.

Senator SCARR: Minister, I note that there's a lot of speculation at the moment with respect to budget outcomes and the future budget next year following the coronavirus issue, the floods in my home state of Queensland and also the bushfires. I wonder if you could provide some context in relation to the state of the budget as we're sitting here today. In particular, I refer to the MYEFO report 2019-20 page 34, which says the government has implemented around \$70 billion of budget repair measures since the 2016 election. Could you or, perhaps, the officials explain what was included in that \$70 billion of budget repair measures?

In that context, as well, I also note on page 35 of the MYEFO document there's a reference stating:

The estimated impact over the forward estimates of remaining unlegislated budget repair measures, announced prior to the 2019-20 MYEFO and after taking account of parameter changes, is now positive \$4.9 billion.

Considering this outcome is relating to budget and financial management, could we perhaps drill down in relation to the \$70 billion figure in budget repair measures and then, perhaps after we get that information, have some feedback in relation to that \$4.9 billion figure.

Senator Cormann: Let me make some general comments, as you invited me to do at the beginning of your question, and then pass on to the secretary and other officials. At the half-yearly budget update in mid-December, we forecast a return to surplus in 2019-20 of \$5 billion and to remain in surplus all the way over the forward estimates period and, indeed, over the medium term. Since then we've had the economic and fiscal impact of the bushfires, and we also have the rapidly developing impact of the coronavirus. These are significant challenges, particularly the coronavirus now, as it continues to play out around the world. At some point we expect that, in a health sense, it will have a material impact on economic

growth in Australia. It will have a material impact on our budget position both as a result of economic parameter variations having an impact on revenue flows and expenditures and as a result of necessary policy decisions that we will have to make.

But let me say: as we go into this period, dealing with these significant challenges, Australia is in a much, much stronger position as a result of the hard work that we've done over the last 6½ years to repair the budget. If we had gone into this period with a budget position like the one we inherited back in 2013, Australia would be in a much weaker position to deal with the challenges that will come our way over the coming months. In terms of the breakdown of the various budget repair measures and the like, I might hand over to the secretary to see how she can assist you today, though we might need to take some of that on notice.

Ms Huxtable: As to the figure on page 34 that you've referenced—the \$70 billion of budget repair measures—basically that identifies the value of measures passed since the 2016 election as at the point of this report, with reference to the relevant forward estimate period at the time the measure was implemented. I think your question also went to what has occurred since that time. In terms of what comprises that \$70 billion, I think we'd have to take that on notice. It's a fairly long list when you break down all of the individual measures.

Senator SCARR: Even a high-level, global breakdown in categories, if that's possible. But I'm happy for you to take it on notice, if it's easier.

Ms Huxtable: What I was going to go on to say, which is relevant, is that since the MYEFO document was published a major budget repair measure has passed the parliament, which is 'Changing the Social Security Income Assessment Model'. I believe that passed the parliament yesterday, through the House. That adds another \$2.3 billion to the \$70 billion which is recorded in MYEFO, so the aggregate amount now is \$72 billion of budget repair measures which have been implemented since the 2016 election.

Senator SCARR: So that's already implemented, the \$72 billion. But the \$2.3 billion is over the forward estimates, in terms of the saving?

Ms Huxtable: Yes, because what we are counting in developing that calculation is the impact over the forward estimates of each of those measures. As the measures are passed, we count the forward estimate impact of the save. So they're going to be over different forward estimate periods, depending on when they were implemented, effectively.

As to the key measures, I can advise that, since the 2019 election, around \$10.5 billion of previously unlegislated budget repair measures have been implemented through the passage of legislation, including 'Changing the Social Security Income Assessment Model'—which I just mentioned—the 2019-20 budget measure 'Tax Integrity—extension and expansion of the ATO Tax Avoidance Taskforce on Large Corporates, Multinationals and High Wealth Individuals' and the 2019-20 MYEFO Efficiency Dividend Extension measure, which was an election commitment. There are some quite large ones there.

Senator SCARR: So they're additional measures being implemented since the last election, since the 2019 election?

Ms Huxtable: That's right; that's as of this date. That does include that \$2 billion that I referred to. But we can take on notice the longer list. Normally we draw the line at an amount,

because it becomes a very, very long list otherwise, but it will be a sensible amount to give you a sense of the spread of measures.

Senator SCARR: At a level of materiality that you think is appropriate. I don't want to delve too deep in that regard. On that figure of positive \$4.9 billion, on page 35 of the December document it states:

The estimated impact over the forward estimates of remaining budget repair measures, announced prior to the 2019-20 MYEFO and after taking account of parameter changes, is now positive \$4.9 billion.

Ms Huxtable: What that reflects is the other side of what we are discussing, so those budget repair measures that remained unlegislated at MYEFO. That would be the budget impact of those measures that are not legislated as at MYEFO. But, as I've noted, there is a significant measure that has been passed since that date, which is that income change in the social security assessment model measure. That has the impact of reducing that figure down from \$4.9 billion.

Senator SCARR: I want to ask a question on commodity prices and the impact in relation to the budget. I think I noted certainly earlier in the year that things like the iron ore price has been holding up the thermal coal price, coking coal price et cetera. To what extent, as a department, are you continually looking at what's happening with commodity prices and the impact that has on the budgetary process?

Ms Huxtable: That's really a question for the Treasury. They manage all of the assumptions around commodity prices. We certainly take an interest in that, as you would expect, and we certainly are aware that even though some of those prices have fallen they still remain above the MYEFO assumption. That will then, of course, be updated at budget.

Senator GALLAGHER: Minister, in response to Senator Scarr you said the impact of bushfires and coronavirus would have 'material impacts' on economic growth and budget outcomes. I know we'll probably talk about this on Thursday in Treasury, but you said the word 'material'. Can you expand on that? To use that word you must have some idea of what you're talking about.

Senator Cormann: As you know, budget forecasts, including economic parameter assumptions, are updated twice a year in the budget and in the half-yearly budget update. We don't provide a running commentary on movements up or down in between formal budget updates, and it is very important to stick to this rigour. But it's also important to be quite candid and clear-headed about the fact—and I think Australians understand and can see what is happening around the world. The coronavirus, the way it's spreading around the world, is creating disruption to economic activity, particularly for trading nations like Australia. It's obviously leading to an impact in terms of public confidence around spending patterns and the like. Whether it is trading activities from tourism and education to other trading activities or whether it is supply chain arrangements that are being disrupted across a whole range of areas, there is going to be an inevitable impact on our economy outside our control.

We're not in a position to quantify in a detailed sense what economy parameter variations will be reflected in the budget. That work is underway and it's not yet finalised, but let me assure you that we are very, very focused on doing everything we need to do to ensure our economy remains as strong and as resilient as possible. Going into this challenging period, we

are in a better and stronger position because of the work that we have done in the last six years.

Senator GALLAGHER: In terms of structures, you say you're working hard on it. What does that mean? As Finance, what's your role in responding to the challenges?

Senator Cormann: I haven't got the note in front of me now, but we have a high number of National Security Committee meetings in which finance is represented, both through me and through the finance secretary. The Treasurer and the Treasury secretary are represented on the National Security Committee as well. My focus at the outset, in particular, was on the health and broader protection aspects of what needed to be done. Right from the start part of our focus through that process has been on the economic and fiscal implications.

As the coronavirus crisis around the world has deepened and evolved, obviously our level of focus and thinking and preparatory work around the coronavirus has also intensified. I think the Prime Minister put it on the public record that yesterday morning he convened a meeting with the Treasurer and myself and relevant officials, together with the RBA governor and deputy governor, to discuss all of the issues around the economic impact of the coronavirus on Australia and what needs to be done to put us into the best possible state of preparedness and also how best to deal with the economic and fiscal implications on the way through. Inevitably, there will be recovery from the negative effect on the other side of this health crisis—there always is—and we want to ensure that Australia is in the best and strongest possible position to maximise the speed and the strength of the recovery on the other side of what will be a negative impact on the economy as a result of the events that we see unfolding around the world.

Senator GALLAGHER: I'll go back to MYEFO. Who develops the fiscal strategy? Is that's Finance's role?

Senator Cormann: It's a joint effort.

Senator GALLAGHER: Who's responsible for it?

Senator Cormann: The budget is released by the Treasurer and by the finance minister. It sort of really depends on which aspects you're talking about. The fiscal strategy is endorsed by the Expenditure Review Committee, with input, as appropriate, and the Treasurer and finance minister obviously have the lead.

Senator GALLAGHER: So it changed between the budget and the MYEFO. I think it pretty much stayed the same for a number of years, your fiscal strategy, and then it changed quite a bit—

Senator Cormann: That was a reflection of the fact that in 2018-19 the budget returned to balance and we were forecasting and projecting a return to surplus from 2019-20 onwards. Obviously, when you are in a situation where you in significant deficit and trying to get yourself back into a surplus position, your fiscal strategy settings are going to be somewhat different to an outlook where you're looking at budget surpluses over the forward estimates period in the medium term.

Senator GALLAGHER: I saw the explanation in the MYEFO document, but given that you had actually revised back the underlying cash balance from budget to MYEFO quite considerably, including across the forward estimates, the surplus you predicted in December, which was prior to the coronavirus and the bushfires, had already been revised back by some

\$40 billion, I think, over the forward estimates. Why would you then take out some of the rules you had had in your fiscal strategy? Your underlying cash balance is actually worse in MYEFO than at budget time, yet the reason you changed your strategy was because you were looking forward to the return to surplus in 2019-20.

Senator Cormann: Obviously, we were making judgements post-election on the trajectory moving forward in the context of being in surplus over the forward estimates and the medium term. The events that happened more recently are clearly events beyond our control, and I think everybody understands that.

Senator GALLAGHER: This was all before that. This was in December.

Senator Cormann: That's right. We made the judgements that we made about the appropriate fiscal strategy moving forward. At the first opportunity post-election when there was a budget update, and that was the half-yearly budget update, that was the appropriate time to reflect these adjustments, given fiscal settings in the fiscal forecasting and projections that we were looking at. Similarly, we will be making judgements in the current environment as we are putting the 2020-21 budget together.

Senator GALLAGHER: So is the fiscal strategy going to change again?

Senator Cormann: I'm not going to pre-empt the processes that are currently underway in terms of what the final outcome is going to be. It is clear that, as a result of a significant external event beyond our control, we have to think very carefully about how we approach that in a fiscal policy sense, and we will.

Senator GALLAGHER: When you read the two fiscal strategies together, the one at budget in April—was that in April?

Senator Cormann: 2 April.

Senator GALLAGHER: and the one released on 16 or 17 December, the MYEFO fiscal strategy is weaker, I would say, in terms of fiscal constraints being placed on the government. You have lost the line which had, 'Spending measures will be more than offset by reductions in spending elsewhere within the budget.' Does that mean there is no spending offset rule anymore?

Senator Cormann: The spending offset rule was extremely effective in helping us repair the budget, but after six years of applying it very strictly there is a natural limit to how far you can push it. In the context of—

Senator GALLAGHER: So have you reached that yet?

Senator Cormann: being back in surplus, which was the position forecast and projected in the half-yearly budget update in December, there was obviously a view that there could be some adjustment there, bearing in mind that there still is an expectation across a large part of budget proposals for there to be offsets put forward. But there was a judgement that there was scope for increased flexibility in relation to high-priority areas—for example, our additional investment into aged care and our additional investment to support drought-affected communities in the context of the half yearly budget update. In this current budget context, I suspect that there will be high-priority policy areas, where we will be prepared to make decisions without the requirement of fully offsetting those additional spending decisions. It is something that is hard to maintain in the never-never because in the end there is a level of

expenditure that cannot ultimately be reduced in order to pay for increased spending elsewhere.

Senator GALLAGHER: The spending offset rule is no longer?

Senator Cormann: No, I've just answered it. We applied it very strictly for six years and we continue to apply it across a significant part of the budget proposals coming forward. But in relation to high priority—

Senator GALLAGHER: Are there exemptions to it?

Senator Cormann: Ultimately, the government makes the judgements on whether or not a proposal has to come forward with offsets or it can come forward without offsets, and that is a reflection of the prioritisation decision that the government makes in relation to specific potential spending items. I have pointed you to two in particular in relation to aged care and funding support for drought-affected communities. In the current budget process I'm expecting that there will be some areas where the government will make a decision that it's such a high priority that there is no need to identify an offset and there will be other areas where the government will decide that, if the relevant minister wants to pursue those measures, they will have to identify relevant offsets. So I guess there is an additional flexibility where you combine fiscal discipline with the level of flexibility to respond to—

Senator GALLAGHER: How are those identified?

Senator Cormann: It's a policy judgement of government.

Senator GALLAGHER: Surely advice goes to agencies early on in the budget process, which I'm sure we're well past, about whether they develop up their budget bid, their NPP, with an offset or not. How is that actually managed?

Senator Cormann: I can't take you into the specifics, because that goes to the deliberative processes of cabinet.

Senator GALLAGHER: I am not asking about that.

Senator Cormann: But if I may—I will be helpful. The budget process is fundamentally the same every year. Yes, a letter goes out to all ministers, who then receive assistance from their relevant agencies and departments to put their budget letters together, which come to cabinet. As part of the processes of the ERC, decisions are made around what the high-priority areas are that can come forward without offsets and those which require offsets. Ultimately the ERC makes the decision on whether specific measures are adopted, with or without offsets. These are specific policy decisions made by the Expenditure Review Committee.

Senator GALLAGHER: Is that early on in the process that they would come back and then you would say, 'These are priority; these aren't. So those need offset and these other ones are going to be exempt from the offset, so don't do more work on it'?

Senator Cormann: Let me just say that, even since the current 2020-21 budget process started, the pressures and the likely prioritisation decisions—

Senator GALLAGHER: Have changed.

Senator Cormann: have changed. And so when you say, 'Is it at the beginning or at the end?' it is essentially an iterative process all the way through until such time as final decisions are made. Until such time as final decisions are made, you maintain maximum flexibility to

respond to evolving requirements, and even after decisions are made, I guess, depending on what happens, you can still adjust those decisions and reflect them in the appropriate way at the appropriate time.

Senator GALLAGHER: The other part of the fiscal strategy that's been taken out is the line that states 'impacts in receipts and payments due to changes in the economy will be banked as an improvement to the budget bottom line if this impact is positive'. Does that mean that no longer applies?

Senator Cormann: Sorry, say that again.

Senator GALLAGHER: It's just the line that talks about how any sort of positive impact from receipts and payments will be banked as an improvement.

Senator Cormann: I actually have directly answered this. We had a very strict offset rule which applied for the first six years. We have provided a level of flexibility to deal with particularly high priorities. But I should point out that, as part of the government's fiscal strategy, we are committed to"

- maintaining strong fiscal discipline by controlling expenditure in order to free up resources for private investment to create jobs and economic growth, including by pursuing budget savings to make room for new spending priorities

Senator GALLAGHER: There's a lot more room to move in this version than the one you had in April.

Senator Cormann: And, again, as I candidly shared with you, that is a function of the improving fiscal environment that we were looking at.

Senator GALLAGHER: But it deteriorated between April and December. That's what I don't get. Your budget went backwards.

Senator Cormann: That's not right.

Senator GALLAGHER: It did.

Senator Cormann: If I may, you have asked a question and I have answered this before too, but I'll say it again. Post the election, and having been returned to government, we obviously looked at the next decade and the medium-term projections over the next decade and what the fiscal outlook was over the forward estimates and the medium-term, and we were looking at the pressures that we were facing, in particular in the context of the drought and aged care, to name just two. We made a judgement that, given the more benign fiscal outlook in the context of the half-yearly budget update moving forward and the pressures that we were dealing with, and our assessment of the capacity to find further offsets, this was the appropriate way to rebalance our fiscal strategy—still being totally committed to fiscal discipline, still being committed to finding savings to pay for additional spending priorities, but to give ourselves the scope that, in relation to particularly high and pressing priorities, we would be able to deal with those without a strictly imposed requirement for offsets, as we had imposed on ourselves for the preceding years.

Senator GALLAGHER: Yes, and I heard all that, but are you disputing the fact that the budget position you outlined in April was stronger than the budget position you outlined in December?

Senator Cormann: I hear the point that you're making—

Senator GALLAGHER: And yet your fiscal strategy weakened—that's what I don't get.

Senator CORMANN: I hear your point. I've well and truly directly answered it.

Senator GALLAGHER: By ignoring the fact—

Senator Cormann: No. If you want me to repeat it, I will.

Senator GALLAGHER: You revised back your surpluses; you revised back a lot of your revenue.

Senator Cormann: I will repeat it. After the election, as we were looking at the forward estimates and the medium-term projections—

Senator GALLAGHER: Was your MYEFO wrong now?

Senator Cormann: and the surplus position that was forecast and projected at the time, the pressures that we were facing in a policy sense, in particular in the aged-care space and in the space of providing additional support to drought affected communities, and our assessment of the capacity to identify further offsets—

Senator GALLAGHER: That was a very small percentage of the writedowns.

Senator Cormann: and our assessment of the capacity to find further offsets—

Senator GALLAGHER: It was your revenue, your GST receipts—

Senator Cormann: we made a decision that we would continue to maintain a commitment to—

Senator GALLAGHER: It wasn't your spending.

Senator Cormann: strong fiscal discipline, including by ensuring budget savings to pay for increased spending on other priorities, but with the flexibility to make judgements as a government to pay for particularly high priority expenditure items without the requirement to impose offsets. That is the decision that we made, and we stand by that decision. We believe in all the circumstances it was a sensible decision. But, of course, since then—there's no arguing the point—the world has changed, the fiscal outlook has changed and the economic outlook has changed, and these are all judgements that we will need to reconcile as we put the 2020-21 budget together.

Senator GALLAGHER: Yes. Your budget had deteriorated by December, and it will have further impacts in a negative way, we accept, from December onwards.

Senator Cormann: We made judgements in the context of MYEFO to provide additional support for drought affected communities—

Senator GALLAGHER: But that was a very small part of the writedowns.

Senator Cormann: to provide additional support for the aged-care sector, and these were substantial investments, and the budget as of MYEFO will continue to forecast a \$5 billion surplus for 2019-20—

Senator GALLAGHER: It was your receipts.

Senator Cormann: Well, let me tell you, when we came into government, the Labor Party left behind an assumed iron ore price of \$120 a tonne, which was completely unbelievable, and we had to chase revenue down for quite a few updates after coming into government because of your unbelievable and completely unrealistic revenue assumptions.

The iron ore price, even today, is still below the iron ore price assumption that you left behind as a government. So don't give me this. I know that that is a convenient—

Senator GALLAGHER: Well, it wasn't your spending that slashed your surplus.

Senator Cormann: Our expenditure growth is the lowest on record.

Senator GALLAGHER: It wasn't the spending measures that slashed the surplus.

Senator Cormann: Literally: our expenditure growth is the lowest on record.

Senator GALLAGHER: It was the weakness in the economy flowing through to your budget—that is what happened.

Senator Cormann: If you look at the historical tables at the back, which I think only go back for 50 years—

Senator GALLAGHER: Weakness in the economy flowing through to your budget, and that is what happened.

Senator Cormann: the expenditure growth under our government is the lowest on record. So it's not an expenditure problem, and I don't think the Australian people believe it's an expenditure problem. I think the Australia people understand—

Senator GALLAGHER: It was less GST flowing from less consumption—

Senator Cormann: No, the GST is budget neutral. The GST is completely budget neutral—

Senator GALLAGHER: I know.

Senator Cormann: because it's 100 per cent in and out, so—

Senator GALLAGHER: It's budget neutral to you; it's not budget neutral to every state and territory that delivers health and education services.

Senator Cormann: But you're talking about our budget. For the purposes of our federal budget, the GST is 100 per cent neutral; it is an in-and-out proposition.

Senator GALLAGHER: So you don't care if GST receipts go down?

Senator Cormann: No, that is not what I said.

Senator GALLAGHER: If they go down because of lack of confidence—

Senator Cormann: Hang on—you're now all over the place.

Senator GALLAGHER: in the economy because the government isn't dealing with the problems.

CHAIR: Order! Senator Gallagher, as you well know, these are really matters for the economics committee tomorrow.

Senator GALLAGHER: I have some more questions. In terms of the Future Fund, the earnings from the Future Fund flow in from 2021—that's correct, isn't it?

Ms Huxtable: If you look at MYEFO page 42, at footnote (e), there is a statement of—

Senator GALLAGHER: So we look at the 'Estimates' column then, do we, for 2020-21?

Senator Cormann: Given you've raised this point, I should remind the committee that this is a function of the Future Fund Act, which provides that, from 1 July 2020, Future Fund earnings are available to meet certain liabilities of government. And the process to lock in the

budget treatment was a process that was started under Treasurer Swan and Finance Minister Wong back in 2012. So this is 100 per cent—

Senator GALLAGHER: That doesn't mean I can't explore it.

Senator Cormann: No, no, sure. But, in case you want to pursue the sort of conspiracy that some of your colleagues have sought to pursue in the past—

Senator GALLAGHER: That's so cynical, Mathias!

Senator Cormann: we're acting consistent with the process put in place by the previous governments.

CHAIR: You see problems everywhere!

Senator Cormann: This is my 37th Senate estimates session, and, let me tell you, having sat here for a very long time—

Senator GALLAGHER: Have you had enough, Mathias—37?

Senator Cormann: No, I love them. I love them! I've had 20 estimates sessions in government—

Senator GALLAGHER: You're a bit crankier than normal.

Senator Cormann: so more than in opposition, which is great—

Senator GALLAGHER: You're a bit crankier than normal.

Senator Cormann: but, let me tell you, I love them—and that has taught me one thing, and that is to always be very suspicious of the motivations of my political opponents. That has served me well over the years.

CHAIR: Senator Gallagher, just to note, you've got about four minutes before the lunch break.

Senator GALLAGHER: Okay. So the line that shows where the Future Fund earnings are going in—is that on that table 3.6?

Ms Huxtable: So at (e) you can see above, in table 3.6, 'less Net Future Fund earnings'—so the Future Fund earnings are netted out in 2019-20, which is the last year in which the Future Fund earnings are excluded, and, from the next year, they're incorporated into the underlying cash balance outcome. From the 2020-21 year, they will be in the numbers above, in payments and receipts. Dr Helgeby is the expert.

Senator GALLAGHER: Can you just take me through that.

Dr Helgeby: Senator, I might take you to the actual financial statements, which are at page 123 of the MYEFO. The table's headed 'Australian Government general government sector cash flow statement ... (continued)'. You'll see there that the net Future Fund earnings are treated in a couple of different ways—in particular, in the 2019-20 year, they're an exclusion. As we go forward, net Future Fund earnings become included in the underlying cash balance, and you'll see that in the memorandum item there which has got a reference to footnote (f), and footnote (f) is the one picked up in table 3.6 which you've got there.

Senator GALLAGHER: So the \$5½ billion?

Dr Helgeby: Yes.

Senator GALLAGHER: I always have trouble cross-referencing tables. Where does the \$5½ billion from table 7.3 show up in 3.6?

Ms Huxtable: That's at the bottom of the table.

Senator GALLAGHER: Yes, I see—in the italics through (e). Does that mean, where you've got an underlying cash balance of \$6 billion, which is the estimate for 2021, that \$5½ billion of that is the Future Fund earnings? Is that right?

Dr Helgeby: From 2020-21, the underlying cash balance includes Future Fund earnings.

Senator GALLAGHER: So, in that 2022-23 year, am I right that, if it wasn't for the Future Fund earnings there, \$5.8 billion, we would be in a negative underlying cash balance there, or a deficit?

Senator Cormann: If it wasn't for our control on expenditure, we would be in deficit. If it wasn't for the revenue flows based on stronger economic growth, compared to what we would have been if we had \$387 billion in higher taxes, we would be in deficit. Look—

Senator GALLAGHER: It's a well-worn record, that one. There have been 37 outings.

Senator Cormann: There are a lot of line items and you can pick out a lot of individual line items.

Senator GALLAGHER: But basically it's the Future Fund earnings propping up the budget.

Senator Cormann: I disagree with that characterisation.

Senator GALLAGHER: That's what I am just trying to understand. That is what I have just been told.

Senator Cormann: The way this works is that, if revenue exceeds expenditure, you're in surplus. Across all of the revenue heads compared to all of the expenditure items, the forecasting projections—in the MYEFO where we forecast to be in surplus every year of the forward estimates and every year over the projection years, so the medium term—demonstrates, across all of the revenue items taken together, revenue exceeded expenditure. One of the revenue items is the Future Fund, but, of course, we've also got substantial revenue from personal income tax and substantial revenue from company tax. If employment growth had not been as strong as it has been under our government for a number of years now, exceeding the long-term average, revenue from income tax would have been much lower and expenditure on welfare payments would have been much higher. You could say 'if this and if that, then you wouldn't be in surplus' and that's true, but the totality of the—

Senator GALLAGHER: It's pretty handy to have the Future Fund kicking in.

CHAIR: Order!

Senator GALLAGHER: That's all I'm saying.

Senator Cormann: We set the Future Fund up for that purpose when in government back in 2006.

Senator GALLAGHER: Very handy.

Senator Cormann: It is handy for governments of all persuasions over the long haul. That is precisely the reason the Howard government set it up after the Labor Party left behind a

budget mess back in 1996. The Howard government paid off Labor's debt then. Investing surplus is the way. John Howard and Peter Costello has helped to put Australia onto a—

Senator GALLAGHER: But you're the government that has made so much about the surplus. You're the government that has measured its own success by the surplus, and this table tells me it's basically the hard work of the Future Fund.

CHAIR: Order. Senator Gallagher, don't talk over the minister while he is still answering.

Senator Cormann: I have not finished my answer. Of course, the decision by John Howard and Peter Costello to establish the Future Fund has absolutely strengthened our fiscal outlook. That was actually the precise purpose. That was the purpose. That's the reason why, after the Howard government paid off Labor's debt, they invested surpluses at that time into this sovereign wealth fund, which helps to strength our fiscal resilience over the very long term. Let me stress this point again: in the end what we presented in MYEFO was that, considering the totality of revenue items against the totality of expenditure items, revenue exceeded expenditure every year over the forward estimates and every year over the medium term. You can try and pick out individual items, but that is the reality.

Senator GALLAGHER: I'm not picking them out. It is table 3.6 that points it out.

CHAIR: Order. On that note, we're over time and will suspend.

Proceedings suspended from 12:32 to 13:29

CHAIR: We are still examining outcome 1 of the Department of Finance. Senator Gallagher, just for the management of the committee's time, how many more questions do you have?

Senator GALLAGHER: We've got quite a few in outcome 1. Are we not doing outcome 2 at all at the moment?

CHAIR: My general preference is to go through the program sequentially. Generally, officials and ministers have been happy to facilitate the odd question here or there that isn't strictly in order.

Senator GALLAGHER: I've got a couple of areas I'd like to go to, and there are a lot I can put on notice.

CHAIR: Thank you.

Senator AYRES: Just one small procedural issue: just to let the department know, we will be asking questions later on about the table of government staffers that's usually provided. If that could be made available—

Senator GALLAGHER: You usually table that, don't you?

Ms Huxtable: Yes, we do.

Senator AYRES: Thank you.

Senator GALLAGHER: Minister, on the monthly financials which came out on Friday: when do they get provided to you?

Senator Cormann: The usual pattern is they are released by the end of the month, to the end of the previous month. I think I would have them for about a week, generally.

Senator GALLAGHER: They are required to be completed 21 days after the end of the month for which they are prepared; is that right?

Senator Cormann: The rule in my office, except when there is travel or other reasons, is that we endeavour to publicly release the monthly financial statements up to the end of the previous month by the end of the month we are in—so, for example, to the end of January by the end of February, to the end of December by the end of January, and so on.

Senator GALLAGHER: Finance, as part of its corporate plan information, says: Monthly financial statements prepared within an average of 21 days of the end of the month for which they are prepared ...

Senator Cormann: Yes, that's right, and that is what happens.

Senator GALLAGHER: Then they come to you, do they?

Senator Cormann: Then they come to me.

Senator GALLAGHER: And you determine when you put them out?

Senator Cormann: The general rule is that they are always released by the end of the month. Obviously we review the financial statements before we publicly release them.

Senator GALLAGHER: Would you normally have about a week in your office to go over them?

Senator Cormann: The department, as you have indicated—

Senator GALLAGHER: What goes on in that week?

Senator Cormann: My office and I review the data and make sure that we are fully across every relevant aspect of it.

Senator GALLAGHER: Do you make any changes to them?

Senator Cormann: Of course not. The statements are what they are.

Senator GALLAGHER: That's why I'm wondering why you need a week with them.

Senator Cormann: Because I like to study the financial data of the Commonwealth.

Senator GALLAGHER: It doesn't take you a week, surely—a man who's been at 37 estimates!

Senator Cormann: In the context of everything that goes on, the procedural discipline we impose on ourselves is that, all other things being equal, we aim to release the monthly financial statements by the end of the month, in relation to the end of the month following the financial year to the end of the previous month.

Senator GALLAGHER: The last ones, the ones to the end of January, were released pretty late on Friday afternoon; is that correct?

Senator Cormann: They are generally released on Friday afternoons. In fact, all but a very small number have been released on Friday afternoons.

Senator GALLAGHER: That's your approach—to get them out late on a Friday?

Senator Cormann: They get released on Friday afternoons. That's what we do.

Senator GALLAGHER: In this one, acknowledging your statement you put out at the time, there is volatility in month-by-month figures. This month, compared to other January months—and I have gone back and had a look at all of the January months from 2015 on—the budget has actually improved.

Senator Cormann: You are right. In the period up until the coronavirus and the bushfires hit us, we outperformed budget forecasts.

Senator GALLAGHER: So the impact of the coronavirus and the bushfires is in these figures?

Senator Cormann: As I said in my statement—and it is an accurate observation—it is very hard to draw conclusions, and we should resist drawing conclusions, on the basis of one month of data. The context in which these monthly financial statements are released is a context that everybody is aware of—that is, that we are facing a material impact on our economy from the consequences of the spread of the coronavirus around the world. The impact that has on global growth and, consequently, on growth here—

Senator GALLAGHER: So you're saying that is impacting directly on the January figures?

Senator Cormann: No, I'm not saying that. I am just pointing to the fact that we are very conscious that that is the context. I am also saying it would be premature to make a conclusive assessment of the level of impact in fiscal terms based on one month of data, in particular at a time of year when, historically, there is higher volatility and higher deviation from the profile than in other months.

Senator GALLAGHER: In these figures we see the largest increase in the budget deficit from December to January; I think it's a movement of about \$3.7 billion.

Senator Cormann: Yes, in the movement we reported, which is there, receipts are down \$4.8 billion and payments are down \$1.1 billion. The net effect of that is \$3.7 billion, yes.

Senator GALLAGHER: You say \$4.8 billion in total receipts. Are you able to give us the breakdown of those tax receipts?

Senator Cormann: It's reported in the release.

Senator GALLAGHER: I don't think it is.

Senator Cormann: Yes, it is. The breakdown of revenue items is reported.

Senator GALLAGHER: The breakdown of tax receipts isn't, I believe.

Senator Cormann: The taxation revenue is reported as a line and other revenue items are reported as a line. If you want to go into the details of taxation revenue, that is best addressed to Treasury or the ATO.

Senator GALLAGHER: Okay. Just in the interest of being helpful, I thought you might have that, seeing as how you've taken a week to study them and get across the detail.

Senator Cormann: I am across all of the numbers that are reported here. In terms of further breakdowns—

Senator GALLAGHER: The tax receipts aren't broken down, though.

Senator Cormann: This is my point: if you want further breakdowns that go into further detail than what is here, that is for Treasury.

Senator GALLAGHER: On the weekend, there was a newspaper article about a 'workmanlike' budget. Did you see that article?

Senator Cormann: I didn't see that article, no.

Senator GALLAGHER: I was going to ask you what a workmanlike budget is.

Senator Cormann: I think all of our budgets are workmanlike budgets. We work very hard to get the best possible budget for the Australian people.

Senator GALLAGHER: The article said that ministers are being told to not bring forward frivolous or unnecessary spending proposals to the ERC.

Senator Cormann: That is a constant rule that I would urge my colleagues to observe!

Senator GALLAGHER: It leads us to believe there are frivolous and unnecessary spending proposals.

CHAIR: Maybe under previous governments, Senator Gallagher.

Senator Cormann: I am being very generous to my colleagues. My colleagues have got great ideas, but, when you have the job of maintaining fiscal discipline and ensuring we allocate limited resources to the priorities of the government, there is a need—

Senator GALLAGHER: The government has obviously briefed this story out. Why have you had to say 'frivolous and unnecessary'?

Senator Cormann: Why are you interrupting me as I'm answering your question?

CHAIR: That is a fair point, Minister. Senator Gallagher, please allow the minister to answer your question.

Senator Cormann: This is a nonpartisan observation: in governments of both persuasions, I think you will find that so-called spending ministers will have a plethora of ideas on how money could be well spent in their respective areas, but, in the end, it is incumbent on Treasury, Finance and the central agencies of government to impose some discipline around all of this to ensure that the limited resources available to government from taxpayers are allocated to the appropriate high priorities in front of it. That is a process that we conduct through the Expenditure Review Committee. I would agree that colleagues should never bring forward frivolous suggestions or the like.

Senator GALLAGHER: I would have thought that that would go without saying. That's why I am interested to see that ministers have had to be specifically told not to submit frivolous or unnecessary spending to the ERC.

Senator Cormann: It's a constant refrain to make sure everybody understands not to bring forward low-priority spending proposals.

Senator GALLAGHER: When were the strategy and process rules for this year's budget set?

Senator Cormann: It is part of the usual normal process. In terms of the specific date, I think we have answered a question on notice in relation to this; it was sometime in September but I cannot recall a specific date. We have provided that information to a question on notice but we will get that for you again.

Senator GALLAGHER: Can you tell me when submissions for the budget were due to Finance—

Senator Cormann: Here we go, 'Senator Katy Gallagher, question reference No. F164,' which we sent back at the appropriate time, because I have answered all my questions in the appropriate time:

The Budget Process Operational Rules were released to entities on 9 September 2019.

Senator GALLAGHER: Does my excellent question go on to ask about when the submissions for the budget were due to Finance?

Senator Cormann: This question on notice didn't deal with that, but I'm happy to take that question on notice.

Senator GALLAGHER: What is the cut-off for the budget?

Senator Cormann: The budget is going to be delivered on the second Tuesday in May.

Senator GALLAGHER: When does it get finished?

Senator Cormann: Generally speaking you would like to be finished by the end of April but in the end, if there are urgent priorities that emerge, you can go closer to the line if that is required. Our aim is to have things pretty well finalised by the end of April.

Senator GALLAGHER: Then you've got two weeks to finalise it after that time.

Senator Cormann: We get all the documents prepared and make sure that we get our heads around it all—study it. I'm sure you would have done that in your time in the ACT government—

Senator GALLAGHER: I did.

Senator Cormann: so you know what I'm talking about.

Senator GALLAGHER: Yes, I preferred a couple of weeks too. But you do have the capacity, if you need to, to push that up if things change this year?

Senator Cormann: It's not ideal but, yes, you can if you have to.

Senator AYRES: Did Finance sign off on the \$2 billion National Bushfire Recovery Agency prior to its announcement by the Prime Minister on 6 January 2020?

Senator Cormann: To explain, that was a decision made through the National Security Committee, on which both Secretary Huxtable and I are represented as members. The measure obviously went through the normal deliberative process of cabinet, and the policy decision was made to allocate an initial—and I stress, an initial—allocation of \$2 billion over two calendar years but effectively going through three financial years, because you've got the second half of 2019-20 and then the first half of 2021-22. Of course, the Bushfire Recovery Agency has started spending that money which was allocated through the NSC process.

Senator AYRES: Did Finance sign off on a costing for the \$2 billion?

Senator Cormann: Yes. It's not a complicated costing, because the government says, 'We are making an initial allocation of \$2 billion.' That is a very black-and-white decision and so—

Senator AYRES: It's a policy decision to allocate \$2 billion.

Senator Cormann: It's a policy decision to allocate \$2 billion and it is going to be taken to book. Because it's a decision that was taken after the half-yearly budget update, the earliest opportunity to reflect the fiscal impact of that in an official budget document will be the 2020-21 budget. Of course, as money is actually spent, there'll be further updates in subsequent budgets and budget updates.

Senator AYRES: There were some questions to Mr Colvin about some of this last night, but, from you, Minister, is there a standalone fund, like the other funds that sit within Finance?

Senator Cormann: There is a government decision to allocate \$2 billion for the purposes of supporting bushfire recovery initiatives through the dedicated Bushfire Recovery Agency; as such, it is initially a \$2 billion fund, depending on requirements and needs. We've already indicated that it could be more. The decision that's been taken so far is to allocate \$2 billion, and that \$2 billion is available for the Bushfire Recovery Agency and for decisions across government to help support the bushfire recovery effort.

Senator AYRES: I understand the point that it is an initial allocation or announcement. We might need more.

Senator Cormann: We might. But we will cross that bridge if and when we get there.

Senator AYRES: Yes, we look forward to that. A fund is a thing; it is a line item. It is a place where money is allocated. There is no fund, is there?

Senator Cormann: Well, yes, there is a \$2 billion fund.

Senator AYRES: Is it more than a turn of phrase?

Senator Cormann: No, it is not a turn of phrase. I think you are now going into semantics. The government has made a decision to allocate an initial \$2 billion specifically to support the bushfire recovery effort—dedicated to that priority.

Senator AYRES: But where is it?

Senator Cormann: We have a dedicated Bushfire Recovery Agency with somebody in charge of that agency to coordinate the effort across government, to support bushfire recovery activities. In subsequent budgets and budget updates, we will report on performance against budget. We have made an initial \$2 billion available. The bushfire recovery agencies and relevant agencies across government know that this fund is available to meet and deal with priorities related to the bushfire recovery. We can't necessarily predict every need and requirement over a two-year period at the moment the decision is made, which is why we made the decision to make an initial allocation of \$2 billion. It ultimately could be more once we have better visibility of how the needs and requirements evolve. But, at this point in time, the bushfire recovery agencies and relevant agencies across government know that there is a dedicated \$2 billion available as a result of a decision by government to support bushfire recovery activities.

Senator AYRES: So that money isn't in a place. It's—

Senator Cormann: It is in a place. It's in the budget.

Senator AYRES: Yes. But, if the government makes a decision to spend a certain amount in, say, the education line of the budget—school counsellors or whatever the allocation is—where does that money come from? Does it come out of the education budget?

Senator Cormann: No. This is the point. We have made a specific allocation of \$2 billion for bushfire recovery activities. Just to be really clear: the government, through the NSC, made a decision to provide an additional \$2 billion. This is new money that doesn't come out of any other budget. We have made a decision to allocate an additional initial \$2 billion to be spent on bushfire recovery related activities. Quite a bit of that has already been expensed or

committed. I am sure you would appreciate that, in the context of an emergency and the circumstances we are dealing with in the wake of the bushfires, not every need and requirement in the context of bushfire recovery activities was predictable at the time we made that decision. So we made a decision to allocate an initial \$2 billion—which agencies across government, and specifically the Bushfire Recovery Agency, know they can draw on and we will continue to draw on—and, if there is a need for more, we have already indicated that the government would be prepared to make additional investments. But right now there is a \$2 billion fund.

Senator AYRES: Some of these other fund announcements actually have a fund attached to them, don't they? This is a notional allocation, isn't it?

Senator Cormann: There is nothing notional about it. This is a specific policy decision of government.

Senator GALLAGHER: Mr Colvin yesterday said it was a notional fund.

Senator Cormann: There is nothing notional about it. It is a policy decision of government to allocate an initial \$2 billion, which is available to the Bushfire Recovery Agency and other relevant agencies across government, to support the bushfire recovery effort. It is a firm policy decision. It is a measure adopted through the NSC.

Senator AYRES: You've got other funds that are allocated. Some of them are managed by the Future Fund, for example.

Senator Cormann: You are talking different funds now.

Senator AYRES: Where is this?

Senator Cormann: You're talking about capital funds; you're talking about investment funds. This bushfire recovery fund is not a capital fund designed to be invested where you only spend the net returns. This bushfire recovery fund is literally a fund that is expected to be expensed in full.

Senator AYRES: So it is an announcement of an intention to allocate?

Senator Cormann: It is a firm commitment to—

Senator AYRES: Like a sort of 'back in black' commitment.

Senator Cormann: You are now being just juvenile. I have sat in this committee for 10 years with Penny Wong. You've got to do much better than that, Senator Ayres.

Senator AYRES: To be fair to you, it's not usually you; it's your colleague in the Prime Minister's office who makes announcements about things that are going to happen, regardless of the future context.

Senator Cormann: You are completely running up the garden path.

Senator AYRES: People are entitled to be sceptical about the firmness of those commitments.

Senator Cormann: You are so on the wrong path, it's not funny. You should actually be embarrassed about yourself. Why would you be trying to create uncertainty for rural communities around Australia, which are looking forward to receiving this support? The support is available. There should be no doubt about the fact the support is available. The government has specifically allocated an initial \$2 billion in new money, which is not coming

from anybody else's budget, which is available for bushfire recovery related activities. Quite a proportion of that money has already been either expensed or committed. There will be more. But you are seeking to fudge—or it might be lack of understanding in terms of the difference between a capital fund, which is designed to generate returns where only the returns are allocated to expenditure, and this fund, which is here specifically to be fully expensed in pursuit of providing appropriate levels of support to bushfire affected communities around Australia.

Senator GALLAGHER: But where does the fund exist?

Senator Cormann: In the budget. And this is the thing; I made the point before—

Senator GALLAGHER: I wrote to you asking for information about this fund and how funds would be allocated, and you gave me the nonanswer reply that is pretty standard across this government. I wrote back and said, 'Well, could you come to estimates prepared to provide us with information about that?'

Senator Cormann: I am prepared. I am fully prepared.

Senator GALLAGHER: Okay. So can we have that?

Senator Cormann: Let me make the point again. This is a decision that was made by the NSC after the half-yearly budget update had been released in the middle of December and before the next budget is released on the second Tuesday in May. Now, always, inevitably, there are policy decisions involving expenditure that are made between budget updates and budgets and budgets and budget updates. This one is a particularly significant one. It is a spending commitment of an initial \$2 billion to support the bushfire recovery effort. It is a budget measure and, like any other budget measure with money attached to it, the money is available in the budget. Have we expensed all of that \$2 billion yet? No. Because it is a \$2 billion allocation that runs over two calendar years.

Senator GALLAGHER: Three years.

Senator Cormann: Two calendar years—but touches on three financial years: the back half of 2019-20 and the front half of 2021-22. So it touches on, in part, two financial years and one full financial year. Over that period, we expect that we will incur the expenditure from the money that has been made available in the bushfire recovery fund. Will the government continue to make decisions to expense that money or make commitments out of that \$2 billion fund? Yes. If we get to the position where we exceed that \$2 billion envelope that we have committed in the budget, then we would have to make a decision to allocate more money, and that would be done as part of the usual deliberative process of cabinet.

Senator AYRES: I can maybe approach the issue in another way. The way to deal with uncertainty in regional communities is to answer the questions convincingly. Last week—I think it was—the 2019-20 portfolio additional estimates statement was tabled. Are all of the bushfire related measures announced by the government since the announcement of the funding in that statement?

Senator Cormann: We continue to make announcements. Obviously, everything—

Senator AYRES: So up to that point.

Senator Cormann: Up to that point, yes. But let me just make this point, and it goes back to what I said earlier. We made a commitment, a policy commitment, to an initial \$2 billion

allocation to the bushfire recovery fund. We have been making decisions on how to spend that money on bushfire recovery related activities, and some money has already been expensed, some money is committed, and there is still a proportion of that \$2 billion fund which remains uncommitted but which we expect will be expensed or committed over the period to the end of December 2021. That is the normal process. I can't now give you a full list of the measures that are yet to be determined between now and the end of December 2021. I can give you an up-to-date list, up until now. As far as the Bushfire Recovery Agency itself is concerned, a table was presented yesterday.

Senator GALLAGHER: That was spending 'to date' as opposed to 'committed'.

Senator Cormann: By the Bushfire Recovery Agency. I can provide you on notice a list of the spending measures that have been agreed to come out of the \$2 billion Bushfire Recovery Fund up until 3 March. You'll find that, in the 2020-21 budget, there will be a formal reconciliation of what has been expensed, and it will be clear how much is still available to be committed over the remaining period that the fund is expected to be in operation.

Senator GALLAGHER: Can you provide that now? You've got a table.

Senator Cormann: We can do it to 14 February. If you want it to 3 March, we will do it on notice. If you want it to 14 February—

Senator GALLAGHER: Give it to us from 14 February if you can. That would be great.

Senator Cormann: Sure.

Senator GALLAGHER: Can you give us at a high level the committed versus uncommitted funds? I'm not asking for what they are, just the top figures.

Senator Cormann: Can we provide this on notice? I promise we will provide it by the end of today. I just need to understand some of these things.

Senator GALLAGHER: Okay.

Senator Cormann: To 14 February about \$460 million is committed. There are some expenses that have been committed to but the specific costing is still being finalised.

Senator GALLAGHER: Is that across the three years?

Ms Huxtable: No. This is just an aggregate figure.

Senator Cormann: In terms of measures so far. The aggregate figure so far—it was a \$2 billion fund and \$458.4 million was committed by 14 February 2019.

Senator AYRES: Would it be correct to assume that there will be no offsets sought for bushfire related measures?

Senator Cormann: That is correct to assume. The government made a decision to make an additional allocation of an initial \$2 billion without any offsets.

Senator GALLAGHER: Has the National Bushfire Recovery Agency been exempt from the staffing cap? How are they getting their staffing resources?

Senator Cormann: The staffing cap, as you describe it—or the ASL offset rule, as I would describe it—involves a discipline where individual agencies have to identify opportunities to reallocate existing resources before asking for new resources. Obviously that

doesn't apply to the Bushfire Recovery Agency, to the extent that its new—you can't re-prioritise existing resources when you don't have existing resources.

Senator GALLAGHER: A lot of the measures are across government, not sitting within the agency. There's Treasury, DFAT, Social Services, Services Australia.

Senator Cormann: If you want me to provide you with a profile of the National Bushfire Recovery Agency, I can take that on notice. It's not strictly a matter for Finance—the Bushfire Recovery Agency is part of the—

Senator GALLAGHER: It was more about their staffing cap. That's why I was asking how are you dealing with it with your ASL—

Senator Cormann: I was answering. The National Bushfire Recovery Agency is within the Department of the Prime Minister and Cabinet. I can provide you, on notice, the staffing profile of that agency. But, to make the obvious point again, an ASL offset rule cannot be applied to an agency that did not exist; it can only be applied prospectively, when there is the opportunity for reprioritisation of existing ASL resources.

Senator GALLAGHER: So new staff?

Senator Cormann: I will provide you with the profile of the agency. There is at least one new staff member, who is the head of the National Bushfire Recovery Agency. I will provide you the detail in relation to the make-up of the agency otherwise, and where they came from, on notice.

Senator AYRES: But it's not really an agency. It's a subsection of the Department of the Prime Minister and Cabinet, isn't it?

Senator GALLAGHER: It's not formally an agency, or legally.

Senator Cormann: I think that is semantics. The agency has been established as a separately branded unit that is operationally independent within the Department of the Prime Minister and Cabinet. If we started it up as an agency in the way that you seem to suggest should have happened—

Senator GALLAGHER: You called it 'the agency'.

Senator Cormann: It is an agency, but it's an agency that is set up within the Department of the Prime Minister and Cabinet. You are asking, 'Is it an independent statutory agency?' No, it is not. If we had done that, we would have imposed significant additional expenses in terms of separate reporting and compliance arrangements, just to name a few. We didn't think that we should spend money on increased administration. We felt that we needed to spend the money in a way that maximised the impact on the ground, and that is why we have structured it the way we have. But the Bushfire Recovery Agency operates independently within the Department of the Prime Minister and Cabinet. It has a budget allocation. In terms of the funding arrangements for the agency itself—the departmental funding arrangements, which is what you have asked for—there was \$45.2 million over the two calendar years, touching three financial years, and up to 80.5 ASL. At this stage, it is anticipated that the Bushfire Recovery Agency will be in place until 31 December 2021, but of course, as we get closer to that deadline, we'll make an assessment of where we are in terms of the responsibilities fulfilled.

Senator AYRES: But it's not an agency, is it?

Senator Cormann: Yes, it is.

Senator AYRES: You call it an agency but not within the normal meaning of the word.

Senator Cormann: I don't know what you say. As a lawyer, let me tell you: it is acting as the government's agent in relation to the bushfire recovery effort; it is acting as our agency to deal with the bushfire recovery effort. What you are saying is it is not really a statutory agency. And you're right: it's not a statutory agency because, if we had made it a statutory agency, it would have been more expensive for the taxpayer and we wanted to maximise the bang for the taxpayer, in terms of bushfire recovery effort on the ground. So we established it as an agency within the Department of the Prime Minister and Cabinet. That is what we've done.

Senator AYRES: Are there any other agencies within the Department of the Prime Minister and Cabinet?

Senator Cormann: I'll take that on notice. I think that, from memory, the Digital Transformation Agency started as an agency within the Prime Minister's department—

Senator AYRES: Was it called an agency when it started?

Senator Cormann: The Digital Transformation Agency started within the Prime Minister's department. Let me on record provide you with a list of precedents, but, in any event, the most important point is that the Bushfire Recovery Agency is absolutely an agency. It is the agency which, on behalf of the Commonwealth, coordinates the bushfire recovery effort.

Senator AYRES: A fund is a fund; just can't see it.

Senator Cormann: Yes, you can see it. You can see the funding allocation to the bushfire recovery effort in the same way as you can see the funding commitment to any other priority of government.

Senator GALLAGHER: In the additional estimates statements, you can't find the full \$2 billion, can you?

Senator Cormann: Because we have made a policy decision to commit initially up to \$2 billion to support the bushfire recovery effort. What is reflected in the portfolio budget statements is what's been expensed or committed so far, as I have explained on a number of occasions. We have not yet made commitments to expend the entire \$2 billion, as you would not have expected us to have done at this point in time. It's something that was established earlier this year—essentially, a month and a bit ago. I don't think you would have expected us to have expensed the full \$2 billion in a month and a bit.

Senator GALLAGHER: I think this is the issue: the Prime Minister announced the fund and was quite specific in his media comments around establishing a national bushfire recovery fund, as in the transcript of his 6 January media stand-up. Anyone reading that would think that they would be able to find a national bushfire recovery fund which has \$2 billion in it. Then in your letter to me, in response to my letter asking about how this money was being allocated, you said that the NBRF is a notional fund, therefore agreeing with Mr Colvin's evidence yesterday that it reflects the government's intention to provide an additional \$2 billion as part of the national bushfire recovery response.

Senator Cormann: Well, it's a fund that reflects the policy commitment of the government to provide an initial \$2 billion, and as I've indicated—

Senator GALLAGHER: It's funding; it's not a fund. I think that's the problem that we're getting caught up on—

Senator Cormann: No, I'll tell you what the problem is—

Senator GALLAGHER: because it doesn't exist.

Senator Cormann: Well, it does exist.

Senator GALLAGHER: The fund doesn't exist, but the funding does—

Senator Cormann: The funding does.

Senator GALLAGHER: based on what you've said today.

Senator Cormann: Well, that is precisely what I said—the funding commitment exists in the bushfire recovery fund. The problem—

Senator GALLAGHER: But we don't know where that is.

Senator Cormann: If I may finish my answer—

Senator GALLAGHER: Three-quarters of it can't be located.

Senator Cormann: The problem that we're having here—to use your language—is that the decision to establish this bushfire recovery fund was made after the publication of the half-yearly budget update and before the publication of the next budget. That is why you don't have a physical budget document that shows a \$2 billion bushfire recovery fund and 'here are the measures that have been expensed so far' and 'this is how much is remaining'. When we release the budget on the second Tuesday in May, that will be entirely obvious. There will be a clear commitment to a \$2 billion bushfire recovery fund with an update on how much has been expensed so far, and that obviously will be updated in future budget updates and budget outcomes as actual expenditure is incurred.

Senator GALLAGHER: So, the NBRF is a notional fund? Can we get that—

Senator Cormann: It is a \$2 billion funding commitment, as described in my letter to you—it is a \$2 billion firm commitment as a result of a policy decision of the National Security Committee to provide an initial \$2 billion to support bushfire affected communities across Australia and about \$460 million or thereabouts was committed by the middle of February. I will quite happily provide you with an update at some point in the future on how that is progressing, and there will be an update in the budget papers as the budget is released on the second Tuesday in May.

Senator GALLAGHER: How long do you think it will take to allocate this \$2 billion?

Senator Cormann: Well, you're now asking me to predict the future. What we've said is—

Senator GALLAGHER: Communities—

Senator Cormann: I can tell you. The \$2 billion was allocated to 31 December 2021, as I previously indicated. But that is on the basis that this is an initial \$2 billion funding allocation. So, it may well be, based on need in relevant communities, that we have to make decisions to allocate more. But the initial funding commitment that we made—the policy commitment to provide an additional \$2 billion to support bushfire affected communities and the bushfire recovery activities—was from the time of announcement to 31 December 2021.

Senator GALLAGHER: I think part of the issue here is that the feedback we're getting from fire affected communities is that they're desperate for funds and certainty around financial support for the recovery effort, and I think what you've said today is that three-quarters of this initial allocation remains unallocated. Three-quarters of the \$2 billion that was the emergency response has not been allocated to any of the priority areas that people are wanting support for.

Senator Cormann: This is \$2 billion allocated over a period. This is the recovery effort. This is \$2 billion allocated over two calendar years, and within the first month we have allocated—in less than the first month; it was to 14 February—\$460 million, or more than a quarter.

Senator GALLAGHER: So, you reject that criticism?

Senator Cormann: We work to deliver support as fast as possible. I reject your criticism. I understand that of course bushfire affected communities want to see the support that we have committed to provide as fast as possible, and we are working as fast as possible to get the money to be effectively deployed to support bushfire affected communities. But the fact that in less than a month we allocated about a quarter of the money committed over a two-year period is I think an indication of how fast we are working.

Senator GALLAGHER: Does Finance sign off on the Bushfire Recovery Agency's measures or the various measures—

Senator Cormann: The National Security Committee has been making those decisions. In future it may well be that the Expenditure Review Committee will start making decisions as appropriate. As we were in the initial phase, it was very much managed through the National Security Committee.

Senator GALLAGHER: But doesn't Finance sit on that?

Senator Cormann: Yes, that's right, so Finance is part of that process.

Senator GALLAGHER: Why couldn't you just answer my question then?

Senator Cormann: But it's not Finance that signs off on the measures, no. Finance provides costings and advice to me as a member of the NSC and the ERC, but Finance does not sign off on the measures. It is the ERC or the NSC that signs off on the measures.

Senator GALLAGHER: And that's different to the normal budget process?

Senator Cormann: It's the same process. It's precisely the same process.

Senator GALLAGHER: Yes, but in advice to you they've had some opportunity to scrutinise and prepare advice to you?

Senator Cormann: Yes.

Senator GALLAGHER: I don't know why that was so hard. Do you have any more on the Bushfire Recovery Agency?

Senator AYRES: No, thank you.

Senator GALLAGHER: In 2019 there was a commitment from the government that net debt would be eliminated by the end of the decade. What changed between the April budget and MYEFO in relation to that commitment around net debt?

Senator Cormann: There were a number of things. There was an adjustment to the size of the respective surpluses. There were also some changes to accounting standards, which had a somewhat material impact on the projections. I think Dr Helgeby is best equipped to talk you through how all of that impacted.

Dr Helgeby: I'll go into a little bit of detail on some accounting standards, if that's all right.

Senator GALLAGHER: How exciting!

Dr Helgeby: Up until the MYEFO this year we undertook our accounting for leased assets by differentiating between finance leases and operating leases. If you like, a finance lease is where you have control of an asset at the end of it and an operating lease is where you are simply a consumer of the asset. Accounting standard AASB 16 on leases came into effect on 1 July 2019. That change had been signalled in various financial reports for about a year before then. That accounting standard effectively eliminates the distinction I talked about before, so in effect it treats all leases as if they are finance leases, so it treats all leases as if they are coming onto your balance sheet. When you do that then you get an impact on your balance sheet. In particular, once that work was done and done preparatory to the MYEFO, it had an impact on net debt of about \$17 billion. So there was an accounting standard driven change. We applied the accounting standards and the accounting standards had a significant impact on net debt.

Senator GALLAGHER: Were they the main cause?

Dr Helgeby: I think the minister pointed to that as a significant driver. Obviously, in every set of budget numbers all sorts of parameters move through.

Senator GALLAGHER: What were the other drivers then?

Dr Helgeby: All the other variations that are shown in the various reconciliation tables.

Senator Cormann: If you want us to break that down for you, I'm happy to take that on notice. It is reported in the MYEFO document, but if you want us to put that down for you in a single document, I'm happy to do that.

Senator GALLAGHER: So the backward revisions of the surplus and things like that would have impacted?

Senator Cormann: The material impact is the change in accounting treatment.

Senator GALLAGHER: If you had known for a year before that came into effect on 1 July 2019—and presumably there was some knowledge of how that would impact on your balance sheet—why did the government make this commitment that net debt would be eliminated by 2029-30?

Senator Cormann: As somebody who was there for that budget and for the budgets in the lead-up, the language was very, very clear. The projection at the time the 2019-20 budget was delivered based on all the information in front of us—based on the assessment of economic and other relevant parameters and based on the fiscal impact of decisions on the spending and revenue side of the budget projection—was that net debt would be eliminated by the end of the medium-term period. Obviously, forecasts and projections are updated. That's why we have budget updates. When things change, you need to reflect those changes in your updated documents. As it happens, between the budget and the half-yearly budget update for 2019-20,

there was a change in accounting standards that had a material impact. Since then, there have been some further changes in the economic and fiscal environment, and that is expected to have an impact. In the end, the budget document you deliver and you publish on the day of the budget is based on the best available information in front of you at that point in time—on the economic parameters, on the fiscal parameters, on the impact of policy decisions on your budget bottom line and so on. That is what we did then. The projection was as it was, and we've subsequently adjusted it for the reasons that Dr Helgeby outlined.

Senator GALLAGHER: That's repeating the answer, but the—

Senator Cormann: Well, it's the truth.

Senator GALLAGHER: Dr Helgeby said that we knew that this was coming for at least a year before it did—1 July 2019 would take me back to 1 July 2018—that leases were going to be treated this way and that it would impact on the balance sheet.

Senator Cormann: You can only quantify the impact at the time that the particular standard applies. Again, based on all of the relevant information advised on economic parameters and the fiscal impact of decisions in compliance with the accounting rules as they stood at the time, the projection was that, over the medium term in the 2019-20 budget, the net debt position would be fully eliminated. There was an adjustment in the half-yearly budget update, significantly because of an adjustment and the fiscal impact in accounting standards. You know what? In the next budget, there will probably be some more adjustments reflecting the outlook at that point in time.

Senator GALLAGHER: I've got a few questions on the coronavirus. The Prime Minister said last week, and he's repeated it several times since, that work is being done on 'targeted, modest and scalable measures' in response to the coronavirus. Is Finance working with Treasury in relation to these measures?

Senator Cormann: Again, Finance is represented on the national security committee, so both the finance department and I as the finance minister have been involved all the way through in all aspects of the government's response to the threat of the coronavirus. We will continue to be involved as the government's response develops and as further decisions are made.

Senator GALLAGHER: Is it the intention to respond to this in the budget?

Senator Cormann: We have already responded. There has been a response which has been evolving as the nature of the assessed threat and the nature of the economic impact has evolved. I believe that we will continue to make decisions and we will continue to make announcements in relation to our response to the threat caused by the coronavirus. Ultimately, the fiscal impact of all of the decisions would be reconciled in the budget. But I would expect that, in the next few weeks, we will continue to make announcements on how the government proposes to further strengthen Australia's resilience in the face of that threat.

Senator GALLAGHER: How are agencies meeting the additional costs right now? Are they incurring additional costs because of the impact of coronavirus? Has advice gone to various agencies? I presume Home Affairs and Health are the main areas that are hit with workload demands and things like that. How are you managing that? Do they come to Finance? How does that work?

Ms Huxtable: Generally, depending on where we are in the year, they would normally be meeting any additional demands through their existing appropriations. Certainly there are mechanisms, if there are insufficient appropriations for particular activities, where they can come to us and we can work with them on potential options going forward. As far as I am aware, at this point in time with the coronavirus, the agencies who are impacted are just managing that within their existing appropriations.

Senator GALLAGHER: So all of the quarantine facilities and the staffing of those—

Ms Huxtable: At this point in time, yes.

Senator GALLAGHER: hit the bottom drawer.

Ms Huxtable: I expect there would be a reconciliation in budget, as the minister noted, so there is a question about whether they have got sufficient funding at this point in time to manage those things within their existing appropriations, but we can reconcile that through the budget process.

Senator GALLAGHER: So in terms of the targeted models and scalable measures, has advice gone to the departments or the agencies that you are wanting bids from? I imagine it is not an all-out across the APS. Have you targeted particular agencies that you want?

Senator Cormann: The response is, first and foremost, coordinated through the National Security Committee, which has met quite frequently, as I indicated in estimates yesterday, since the end of January to deal specifically with the implications, the impact and the response to the coronavirus. The Prime Minister also convened a meeting yesterday specifically focused on the economic implications with the Treasurer, myself, our relevant secretaries, as well as the RBA governor and deputy governor, where we talked through the economic implications of the coronavirus and some of the things that as a country we need to do to ensure we are in the best possible position to deal with the coronavirus, and to put ourselves in the best possible position to maximise growth on the other side of the downside economic effects of coronavirus. There is now more work being undertaken as part of the normal processes of government to put together appropriate measures, scalable as required, to put ourselves in the best position economically to deal with implications of the coronavirus.

Senator GALLAGHER: Does anyone have a cost to date of what the coronavirus has cost government services?

Senator Cormann: No. As I said publicly, it is too early to quantify that. I not am necessarily confident we will be able to quantify it in those terms as you have just indicated in the context of the budget. But to the extent that we can assess an economic impact and the fiscal impact of measures to respond to it, that will be reconciled in the budget.

Senator GALLAGHER: Last estimates, I asked quite a few questions about consultants and contractors and I have followed up since.

Senator Cormann: And I have answered.

Senator GALLAGHER: You have, and I have tried to do it across government.

Senator Cormann: I always tell my department to be really quick and speedy in responding to you.

Senator GALLAGHER: Particularly for mine, I am sure.

Senator Cormann: Yes, 100 per cent. I hope you noticed. I have my favourites.

Senator GALLAGHER: Yes, good. I work hard at that. In one of the answers to questions on notice, the Department of Finance indicated it has not conducted analysis of spending on contractors. The department wasn't able to answer the question regarding spending on consultants overall. I was told that non-corporate Commonwealth entities report contractor expenditure in their annual reports, even though it is not true for all agencies. Defence doesn't, for example. So we have tried to go right across government to get the answer to what is happening here on consultants and contractors. We have asked a number of questions of different agencies. So far, we've been able to ascertain that, in 2018-19, four areas alone accounted for \$2.8 billion in spending on external contractors. Defence had a spend of \$1.1 billion. Services Australia had a spend of \$971 million, up from \$179 million in 2013-14. Home Affairs and its portfolio agencies spent \$462 million, and the National Disability Insurance Agency spent \$282 million. Most agencies do report spending on contractors in their financial statements. However, my analysis shows they don't appear to include all contractors. So, in following up, what I would actually like to get is an understanding across government of the total spend on contractors and separately on consultants, because I think there is difference in definition. I would have thought Finance would be the place to come for that, but it is proving very difficult.

Senator Cormann: What I'm interested in is: what is the proportion of Commonwealth spending on goods and services provided to the Australian community that goes into administration? The proportion of the funding of government that goes into administration has continued to go down under our government. When I talk about cost of administration, I include in that the cost of a permanent Public Service, the cost of contractors, the cost of advertising and all of the administrative expenses that are part of the Commonwealth government's cost of administration. I refer you to the data. The cost of government administration as a proportion of total government expenditure has decreased from 8.5 per cent in 2007-08 to seven per cent in 2018-19 and is expected to further decrease to 5.4 per cent in 2023. That is the combined cost for the permanent Public Service, contractors, including consultants, and all other relevant departmental expenses. Hence what I put to you is that you are desperately looking for a problem where there is none.

Senator GALLAGHER: No.

Senator Cormann: The allegation that you made is that we are replacing a cheaper permanent Public Service with more expensive contractors. If that were the case then the cost of government administration as a proportion of overall government expenditure would have to go up, particularly given we are in an environment under our government where government expenditure overall has grown at a very low rate by historical standards. So we've got lower growth in overall government expenditure, and the proportion of that more slowly growing government expenditure that goes into administration is going down. On top of that, the annual value of consultancies on AusTender as a proportion of the total value of contracts has remained relatively stable at about one per cent since 2011-12, having fallen from 1.6 per cent not under our government but in 2009-10 under the Rudd government. Prime Minister Rudd quite liked his consultants.

Senator GALLAGHER: Minister, we are going to be here a long time if your answers continue to be this long.

Senator Cormann: I am just explaining—

Senator GALLAGHER: I haven't even got to my question yet.

Senator Cormann: why I don't agree that there is the sort of problem that you assert.

Senator GALLAGHER: This is not answering a question.

Senator Cormann: I am not going to start—

Senator GALLAGHER: Why can't the government tell me how much you spend?

Senator Cormann: spending money on something that is demonstrably not a problem. I am not going to waste taxpayers' money just to pursue the union agenda in relation to this issue. If you were in government, you might be happy to waste taxpayers' money to pursue the bidding of the union movement. That's fine. I am not going to do it, because I can see from the data in front of me that the cost of government administration, appropriately, is falling as a proportion of overall expenditure, which means that the problem that you assert is there is actually not there.

Senator GALLAGHER: The cost of government administration also includes APS staff, doesn't it?

Senator Cormann: Indeed, and you're alleging—

Senator GALLAGHER: And you have cut 19,000 jobs, so the number of APS staff has gone down—

Senator Cormann: You're alleging that we're replacing them with more expensive contractors.

Senator GALLAGHER: No, what I'm trying to get a hold on is how much you spend on it, and I can't for the life of me work out why you're obsessed with public servant numbers with the ASL offset rule, or the staffing cap, to the point that agencies have to report against it, but you couldn't care less about consultants and contractors—

Senator Cormann: I would reject—

Senator GALLAGHER: Your argument has holes in it.

Senator Cormann: No, I'm not obsessed at all.

Senator GALLAGHER: You are obsessed with the staffing rule.

Senator Cormann: What I'm focused on is ensuring that government administration, as a whole, is as efficient and as effective as possible. That is government administration, including the permanent Public Service, including the cost of contractors and including all of the other expenses that are part of the cost of government administration, involving all of these different line items and all of these different categories of expenditure on government administration. The cost of government administration has decreased from 8.5 per cent in 2007-08 to seven per cent in 2018-19 and is expected to further decrease to 5.4 per cent in 2022-23. You guys are obsessed with the use of contractors, even though there is a valid reason why from time to time contractors, where appropriate, are an efficient way to keep the overall cost of government administration low—when the business need to access relevant skills and expertise is temporary, when particular expertise is more efficiently obtained and maintained in a dedicated private sector business or, indeed, when flexibility is required to allow entities to balance their capability requirements with ensuring that the overall size of the general government sector remains fiscally sustainable. So the final conclusion here is that we

trust individual departmental secretaries to make decisions on how to most efficiently allocate the departmental resources made available to them. And, yes, of course, as part of our budget repair effort, we wanted to ensure that, before new public servants were hired, an effort was first made to reprioritise existing resources to those higher priorities before new ASL decisions were made. We think that that is just good housekeeping. Of course, there always has been an opportunity, if that is appropriate, to hire more public servants, but we did want to control, as part of the budget repair effort, how many more public servants were hired.

Senator GALLAGHER: Minister, I know you've got a hard mark of when you want to get away today, but, honestly, if you're going to be giving those long answers—I have a lot of questions in this area.

Senator Cormann: I'm answering your question.

Senator GALLAGHER: I have a lot of questions and we will just go through them one by one.

Senator Cormann: That's fine.

CHAIR: Just on the matter of the committee's time, Senator Gallagher, since you've raised it, it's 2:30, and 2.45 was the time in the program that we indicated we'd get to outcome 3. We haven't yet got to outcome 2, so I just ask that everyone be mindful of that in their questioning—

Senator GALLAGHER: It would be of great assistance if the answers were shorter.

CHAIR: and in their answers.

Senator Cormann: I'm trying to respond genuinely.

CHAIR: Very generously, as always, Minister.

Senator GALLAGHER: Government administration costs include APS staff. Some 19,000 jobs have gone and that is shown in the APS employment data—

Senator Cormann: When was that?

Senator GALLAGHER: release of June 2019. There are 19,000 fewer public servants now than when the coalition took office—

Senator Cormann: Sorry—

Senator GALLAGHER: so that will impact—

Senator Cormann: I've got to correct you there.

Senator GALLAGHER: on the overall costs of government administration. If your APS staff are going this way and your contractors and consultants are going that way—

Senator Cormann: I've got to correct you—

Senator GALLAGHER: then of course you can maintain a line that things haven't changed overall—

Senator Cormann: What you've just said is somewhat misleading, because there hasn't actually been a change in recent years at all. We've kept the ASL number at the 2006-07 level. There was a drop initially when we came into government, but there hasn't been any further drop in more recent times, so the fact that the overall cost of government administration as a proportion of overall government expenditure continues to trend down is an indication that we

are not increasing administration costs on the back of more expensive consultants, because there has been no variation in recent years in the number of public servants.

Senator GALLAGHER: Let me put this to you: it's an answer to a question on notice I've got from the Attorney-General's Department on use of external contractors where I've asked them all the same questions—standard questions across government. Their answer to my question around the increases in costs that they have for various management business professionals, temporary personnel services, where it rises from 'not available' in 2013—

Senator Cormann: 'Not available'—I wonder why that was.

Senator GALLAGHER: to \$8.3 million in 2018-19 and they say: 'The increase in labour hire costs is as a result of the ASL restrictions, limiting employment via the Public Service Act 1999 coupled with significant increases in the AAT's workload in recent years.'

Senator Cormann: So, when you lost government, the data was not available. We're now making it openly and transparently available—

Senator GALLAGHER: That's not the point.

Senator Cormann: I'm telling you what the point is. The point is that, in aggregate across government, we continue to reduce the cost of government administration as a proportion of overall government expenditure and, if the Attorney-General's Department made a judgement—they have a responsibility. The Secretary to the Attorney-General's Department has a responsibility to make value-for-money judgements. He's got a duty to make value-for-money judgements. If they've made a judgement to hire contractors because the circumstances meant that contractors were preferable, then that is his judgement to make.

Senator GALLAGHER: In 2015-16, they were spending \$545,000 on labour hire and in 2018-19, they're spending \$8.3 million. It's a pretty substantial jump and they attribute it to the fact of the ASL restrictions and workload. The fact that they are not able to employ under the Public Service Act has resulted in their bill for consultants or labour hire skyrocketing from \$545,000 to \$8.3 million over four calendar years. And you don't care about that?

Senator Cormann: I care about making sure that the cost of government administration is as low as it possibly can be as a proportion of overall government expenditure. I care about making sure that government administration is as efficient and as effective as possible, and the data in front of me indicates that the cost of government administration as a proportion of overall government expenditure continues to trend down and that is after taking all of the various movements in individual portfolios into account. I expect, and the government expects, individual secretaries to make value-for-money decisions in relation to the judgements on whether or not to hire additional permanent public servants or contractors in the context of business requirements or organisational requirements. There are absolutely valid reasons why secretaries would opt for contractors in certain circumstances—and I have talked you through those—depending on whether or not there's a temporary or a specialised requirement where skills are best obtained and maintained in a dedicated private sector agency.

Senator GALLAGHER: In 2018-19 alone, just four areas—Defence, Services Australia, Home Affairs and the NDIA—accounted for nearly \$3 billion in spending on external contractors. We're talking about enormous sums of money here. Why is it that the Department

of Finance seems to have no interest in oversight on this issue—no whole-of-government focus at all?

Senator Cormann: We do have oversight as appropriate. Let me just say—

Senator GALLAGHER: No, you don't. You just told me you don't—

Senator Cormann: You can throw numbers around—

Senator GALLAGHER: It's for the agency to determine—

CHAIR: Order! Senator Gallagher, I think the minister was about five seconds into his answer there before you jumped in.

Senator GALLAGHER: He's been giving very long answers.

Senator Cormann: Here we go: I will give you a short answer. The Gillard government signed a contract—

Senator GALLAGHER: We're not talking the Gillard government—

CHAIR: Order!

Senator Cormann: I would like just to put it into perspective, because you say it's all us and you're throwing big numbers around. The Gillard government signed up to a \$1.8 billion contract arrangement or consultancy arrangement in the Defence portfolio. I'm not criticising them for it. It was the right decision because it was the best way to deliver value for money because there was a specialist requirement. Defence is particularly an area where some skills are best obtained, maintained and sourced from a dedicated private sector organisation, and it would be entirely inefficient for us to try and replicate them and maintain them in a public setting. So that is why a portfolio like the Defence portfolio, historically, has relied quite heavily on contractors and consultants.

Senator GALLAGHER: Why is there such a big focus on managing the cost of public servants but no interest when it comes to managing the costs of external contractors and consultants?

Senator Cormann: I reject that proposition. There is a very strong focus on making sure that government administration is as efficient and as effective as possible. There is a very strong focus on making sure that the cost of government administration as a proportion of overall government expenditure is as low as it sensibly can be, and that includes the cost of both public servants and contractors and consultants.

Senator GALLAGHER: As long as they meet their costs within their funding allocation, you don't really care how it's done?

Senator Cormann: We trust individual secretaries of individual departments to make judgements—

Senator GALLAGHER: What about value for money?

Senator Cormann: on how to maximise efficiency in terms of allocating their departmental resources within their respective agencies.

Senator GALLAGHER: What about any assessment of value for money with the changes that are clearly going on across a number of agencies and departments in their use of consultants and contractors?

Senator Cormann: That is an ongoing assessment.

Senator GALLAGHER: But you have no role? You just trust the agency?

Senator Cormann: Departmental secretaries do have responsibilities to deliver. We've got a devolved procurement framework and individual departmental secretaries have certain responsibilities. At Expenditure Review Committee level, every portfolio has the opportunity to come into the ERC and say, 'For this particular measure, we want to seek an exemption from the ASL offset rule,' and indeed I provide exemptions. If that is justifiable, then the exemption will be granted. If there are other, more efficient ways of achieving the government's priorities, then that is, of course, entirely appropriate.

Senator GALLAGHER: Why doesn't Finance have a standard definition for 'consultant' or 'contractor' or 'temporary personnel'? There's just no consistent definition—

Senator Cormann: They are the same definitions as they were under your government.

Senator GALLAGHER: I'm not asking about a government from however many years ago now. This is your third term. You've got to take some responsibility for what's happening now. Why is there not a standard definition that relates to the different segments of the labour hire workforce?

Senator Cormann: There are appropriate standard definitions, which are consistent—

Senator GALLAGHER: I can tell you, I've done more work on this than you. I know more—

Senator Cormann: I have signed all the letters to you.

Senator GALLAGHER: I've done more work on this, asking across government what is going on than you clearly have.

Senator Cormann: I've seen those questions and answers go through.

Senator GALLAGHER: There are different definitions. There are different figures that are given in questions on notice to what appears in annual reports, and I'm sure there are good reasons why that happens, largely definitional, because there are so many different variations. But why isn't there more of a standard approach from Finance? It seems to me you have a big financial exposure to this side of the business and, from what I can see, you've just said, 'It's up to the agencies what they do.'

Senator Cormann: As I say, you are looking for a problem where there is none.

Senator GALLAGHER: What evidence do you have?

Senator Cormann: Agencies are proving to be very focused on maximising efficiencies and, indeed, the efficiency dividend helps to ensure that that's what happens. Indeed, when you look at the cost of government administration as a proportion of overall government expenditure it continues to trend down—

Senator GALLAGHER: So that's it?

Senator Cormann: It continues to trend down, even though the size of the Public Service—

Senator GALLAGHER: Because you're sacking public servants.

Senator Cormann: does not continue to reduce. So it stands to reason that all of the other items that are part of the cost of government—

Senator GALLAGHER: So you get rid of public servants and then people have to get consultants and contractors to do the work, and you don't care because you've got one figure that you watch, and that is, if the cost of government administration remains stable, then you don't care what's happening internally?

Senator Cormann: I'm satisfied that our efforts to maximise the efficiency of government administration are being successful.

Senator GALLAGHER: On what evidence?

Senator Cormann: On the evidence that I have now repeated ad nauseum that the cost of government administration as a proportion of government expenditure continues to reduce, even though the size of the Public Service remains stable for some years now, which means that all of the other elements of the cost of government administration necessarily continue to reduce.

CHAIR: Senator Gallagher, are you finished with outcome 1?

Senator GALLAGHER: I am finished with that section.

Senator AYRES: I have one short line of questions. Then we are done.

CHAIR: Thank you. Then we can move to outcome 2. I know Senator Patrick has questions under outcome 2.

Senator AYRES: Minister Cormann, you are no doubt aware that the RBA has just announced a cut to half a per cent. That is basically the Reserve Bank out of options now, isn't it?

Senator Cormann: The Reserve Bank, appropriately, is an independent statutory agency which makes judgements in relation to monetary policy independently, based on its assessment of the economic data and other relevant information. I'm not a commentator on the Reserve Bank, but what I can say, as I have said to you a bit earlier, is that the Prime Minister convened a meeting yesterday with the Treasurer, myself, our relevant secretaries and some others—and, indeed, the RBA governor and deputy governor—where we discussed some of the challenges we are currently facing in the context of the impact of the coronavirus around the world and on Australia. We are both making judgements in relation to that. Clearly the Reserve Bank has announced its judgement today, and the government will be announcing its decisions in relation to this in due course.

Senator AYRES: This has been a dynamic for quite some time. The Reserve Bank has been calling upon the government to pull its weight. Some years ago the former Treasurer, Mr Hockey, said interest rates at three per cent were emergency levels. This dynamic predates the coronavirus and bushfires. What is the government's plan.

CHAIR: Before you answer that, Minister, this is firmly in tomorrow's estimates with Treasury and the Economics Committee.

Senator Cormann: Thursday.

CHAIR: If you feel the need to address that, then—

Senator AYRES: Just one more question.

Senator Cormann: Before you ask another question, let me deal with one that was just asked. I refer you to an extract out of the statement from the RBA governor, where he says:

The global outbreak of the coronavirus is expected to delay progress in Australia towards full employment and the inflation target. The Board therefore judged that it was appropriate to ease monetary policy further to provide additional support to employment and economic activity. It will continue to monitor developments closely and to assess the implications of the coronavirus for the economy. The Board is prepared to ease monetary policy further to support the Australian economy.

I invite you not to follow those on your side who, in a circumstance like this, seek to play politics with the Australian economy. This is a time when all sides of politics need to come together and focus on what needs to be done to maximise our strength and resilience. The government is absolutely focused on doing what needs to be done. The RBA is doing its bit; we will be doing our bit. There is a time for political rhetoric and political spear-throwing; I don't think that right now is the right time.

Senator AYRES: Have you spoken to any of the banks about passing the rate cut on in full?

CHAIR: That has nothing to do with the Finance department.

Senator Cormann: I have been sitting here all day.

Senator AYRES: What happens if they don't?

Senator Cormann: This is actually not related to Finance.

CHAIR: Ask those questions tomorrow to the minister in the Senate Economics Committee.

Senator AYRES: We will.

CHAIR: If there are no further questions under outcome 1, I think those are relevant officials who are not required for outcome 2 or outcome 3, and the committee will now move to outcome 2.

[14:47]

Senator PATRICK: I am going ask two sets of questions. To facilitate for the committee I would like to table one page, just for convenience, of an Auditor-General's report that I want to talk about, if that is possible.

Senator Cormann: Do I get a copy of what you have just tabled?

Senator PATRICK: I am trying to get that organised. I am going to ask a different question while that is being organised, if that's okay. I want to ask a question in relation to procurement and how that ties into audits by the Auditor-General. As you and I have discussed on numerous occasions, value for money involves a whole range of things and can include the benefit to the Australian economy of jobs, spillover effects and so forth. In talking with the Auditor-General last night I asked him how he makes an assessment of value for money in the context of his audits. He is governed by particular standards when he conducts an audit, but he basically said that he will judge value for money in accordance with the criteria any department specifies when they enter into the procurement. I am just wondering—and this would be helpful for departments in not getting a bad mark in terms of value for money—whether departments were in fact going into a procurement specifying things like, 'We recognise those indirect effects of the contract.' Is that something Finance has looked at or would consider?

Mr Jagers: The value for money is defined under the Commonwealth Procurement Rules, and that does give accountable authorities room to determine how best to achieve value for money and what considerations that they might need to take into account. They may take into account stakeholder input, the scale and scope of the business requirements that they have, the entity's resourcing and budget, obligations and opportunities under existing arrangements, Commonwealth policies and the market's capacity to competitively respond to a procurement. In addition, there are a number of provisions in the Commonwealth Procurement Rules that give accountable authorities room to make decisions and to consider things like Australian industry, or Australian economic impacts, in making those decisions—

Senator PATRICK: The economic benefit—in fact, I was involved with negotiations with Senator Cormann on that particular provision so I know it very well.

Mr Jagers: You're very familiar with it, yes. Certainly value for money considerations can take into account the broader impact or economic benefit of the procurement in the Australian economy. There are other provisions under particular circumstances where an accountable authority might make a decision about some elements of the procurement rules not needing to be adhered to, where it's required to get the particular outcome that the entity has decided it needs to get.

Senator PATRICK: Sure. I am trying to link two things. In some sense this goes back to an audit that was conducted by the Auditor-General two years ago into the Hawkei vehicle. It resulted in the Attorney-General issuing a section 37 Auditor-General Act certificate, which in effect censored the Auditor-General. My understanding from court documents is it related to value for money. The Auditor-General may well have made a determination in respect of value for money based on what is in the standard. The company may well have a different view that we employ a number of people at sites in Victoria, we've have generated IP, we've licensed this, we're exporting this, and yet that may not have been included in the Auditor-General's assessment simply because it hasn't been put into an objective, in respect of the procurement, such that he can properly assess the value for money against whichever department's own criteria. I am trying to work out whether there is a gap, or whether that's an isolated incident, whether you actively try to assist departments not getting a low value for money score in circumstances where they have done the right thing.

Mr Jagers: Certainly the Procurement Rules and the procurement framework have evolved so that secretaries of different departments need to make decisions about how each procurement is to run. We definitely do try to provide assistance to those entities. We have created a Centre of Procurement Excellence, which is an area within Mr Hunt's division, that is providing assistance to agencies in how they create innovative procurements. In terms of your question around getting value for money, price is never the only factor in getting value for money. What entities need to do to get value for money is to be very clear before they go to market on what the outcomes are that they are trying to achieve. Price will be a factor and is always a factor but it's not the only factor—

Senator PATRICK: I am in fierce agreement. What I am concerned about is the Auditor-General might be assessing his value for money and giving government departments a low score in relation to value for money simply because they haven't been putting some of these economic benefit requirements into the assessment criteria.

Mr Jagers: It's certainly important for entities to be clear, before they enter a procurement, about what they want and what the outcomes are. I wouldn't be in a position to comment on those particular procurements and Auditor-General findings.

Senator PATRICK: Maybe if you take on notice, just to go and have look at that link from making the procurement to how that sets the value for money assessment for the Auditor-General, just to make sure that there's consistency right across the chain.

Mr Jagers: Certainly we can take that on notice.

Senator PATRICK: Thank you. I'd like to now go to the Auditor-General's report on government advertising, Auditor-General report No. 7 of 2019-20. These questions follow up questions asked by Ms Sharkie.

Senator Cormann: We're happy to deal with it now, Chair, but I will just let you know that the line of questioning actually relates to that part of outcome 2 which is in Zed Seselja's portfolio, so we're not strictly dealing with something that comes under my area. But I am relaxed as long as you are.

CHAIR: Thank you. We do have Senator Seselja scheduled for a couple of hours this afternoon in order to deal with things like this.

Senator PATRICK: I can entice you by saying I wouldn't come back here!

CHAIR: That's very tempting, Senator Patrick!

Senator Cormann: As long as we're not breaching any standing orders, because I'm often told—

CHAIR: No, I'll look the other way, Minister.

Senator PATRICK: Thank you for your indulgence, Minister. I just want to go to a couple of the recommendations in this report. In recommendation 1, the Auditor recommended:

The *Guidelines on Information and Advertising Campaigns by non-corporate Commonwealth entities* be strengthened to ensure that—

amongst other things, because this is the focus of my question—

c. campaigns must be objective and not directed at promoting party political interests ...

That seems like an eminently sensible recommendation, but the government simply said 'Noted'. I wonder why that particular recommendation wasn't simply agreed.

Senator Cormann: Are you asking me?

Senator PATRICK: Yes.

Senator Cormann: Well, if you want to ask questions to the minister responsible, I will have to refer you to Zed Seselja.

Senator PATRICK: All right. You may have to put up with me later, Chair. I'm sorry.

CHAIR: Okay. Senator Gallagher, do you have questions under outcome 2?

Senator GALLAGHER: Yes, I hope they are under outcome 2. Is there someone I can ask about some of your corporate plans and stuff, or is that more outcome 1?

Senator Cormann: We'll be generous. Normally that would be outcome 1, but we'll be generous.

Senator GALLAGHER: Your gender equality strategy was for 2017 to 2019. Is there a replacement? While you're there, I note that for the Diversity@Finance Action Plan, which was also meant to be updated annually, the last update I could see is March 2017; the Diversity and Inclusion Strategy and Action Plan is for 2017 to 2019; and your reconciliation action plan is for 2016 to 2018. Are there any updates on those? Are there any of those that are currently updated for 2020?

Ms Jones: Certainly, in terms of our diversity strategies, we've placed a lot of emphasis on implementing and updating them. I'm just going to ask Cassie Alexander, who heads up our human resources area, to update you on the details.

Ms Alexander: In terms of the reconciliation action plan, firstly, there's a new internal one that's been approved internally, but it's currently with Reconciliation Australia for endorsement.

Senator GALLAGHER: Okay. So what happened between 2018 and 2020? Was the other one just in place, or was there none in place?

Ms Alexander: No, the other one was in place.

Senator GALLAGHER: So is the reconciliation act plan for 2016 to 2020, then?

Ms Alexander: No, last year we worked on a new one, in consultation with our networks.

Senator GALLAGHER: After it expired?

Ms Huxtable: No, it remained in effect while we were working with our networks in respect of the new plan. The new plan is now with Reconciliation Australia, which is the process that we go through, so it's effectively finalised. I think it was a very good process with our Indigenous staff.

Ms Alexander: We have a Reconciliation Action Plan Working Group who worked on it as well.

Senator GALLAGHER: For people who don't work in Finance, though, if you go to your website now and have a look, all of those documents on that page appear to expire, based on your own time frame. So that's what sort of concerned me: you had a lot of language about the importance of diversity, but then all of your plans were outdated. The Diversity@Finance Action Plan says it 'will be updated annually and reports provided quarterly', and the only one I could find was from March 2017.

Ms Jones: Senator, we will look into that. We did move to a new website. We revised our website last year, and we did look at moving quite a lot of things off it.

Senator GALLAGHER: It's a much better website.

Ms Jones: Thank you. I will let the team know.

Senator GALLAGHER: For usability and getting around, it is a much better website.

Ms Jones: I think there are two aspects to responding to this: confirming the dates of our update schedule for all our diversity action plans; and ensuring that we've got the appropriate ones up on our website.

Senator GALLAGHER: Are those plans all going to be updated fairly soon?

Ms Jones: There is different staggering. With the diversity planning in particular, we were looking at waiting to see the whole-of-government one that's being developed by the APSC so

we could tier from that. I think their time frame to finalise that is in the very near future. Once we've got the whole-of-APS one, we will develop our own, which will basically be informed by that whole-of-government plan.

Senator GALLAGHER: It might be worth having a note on the website saying these are all being updated or are about to be refreshed. To someone who doesn't know or doesn't have the opportunity to talk with you, it looks like they are all outdated. Thank you. I look forward to reading those when they are posted.

On the review of the PGPA Act, after last estimates you sent me updated recommendations on how things were tracking. I am particularly interested to make sure you are still continuing to track that table against all recommendations, and particularly recommendation 38, which recommends:

Non-corporate Commonwealth entities should provide the following information on expenditure on contracts and consultancies in their annual reports ...

That has a couple of subheadings. The advice from Finance is that Finance is developing options to implement this recommendation. Could you please update me on that.

Dr Helgeby: That is being progressed. In fact, the minister has written to the JCPAA on this matter.

Senator GALLAGHER: Around—

Dr Helgeby: On implementing recommendation 38.

Senator GALLAGHER: About how you report on contracts and consultancies?

Dr Helgeby: Yes.

Senator GALLAGHER: After what we've just had here? That could have been a good answer from you, Minister.

Dr Helgeby: The issue you've raised in relation to recommendation 38 is an issue about reporting. I think your earlier line of questioning was different—

Senator GALLAGHER: I wouldn't mind a bit of anything, really. Reporting would be fine to start off with. So you can't tell me because it's gone to the committee? Is that where it is at? You can't expand any further on that? You said the minister has written to the committee.

Dr Helgeby: Yes, in order to implement it and to implement it with effect from the 2019-20 financial year.

Senator GALLAGHER: That's good. In other parts of the implementation, are there any that aren't tracking as you expected?

Dr Helgeby: No, Senator.

Senator GALLAGHER: No problems?

Dr Helgeby: Of the 53 recommendations, 50 have been implemented. Fifty of the 53—that is, 94 per cent—have been implemented or actioned, or are ongoing in nature. It includes recommendation 38.

Senator GALLAGHER: I'm running out of time. I might have a briefing on the PGPA Act recommendations.

Senator Cormann: We'd be very happy to.

Senator GALLAGHER: That might be an easier way to do that in the detail. Whose area is the Commonwealth grants rules and guidelines?

Ms Huxtable: That's Dr Helgeby as well.

Senator GALLAGHER: Secretary, you reportedly gave a speech recently to the—

Senator Cormann: I hope you're not going to quote *The Canberra Times* because the secretary told me that that was fake news and misreporting.

Senator GALLAGHER: The whole paper or just that particular article?

Senator Cormann: That particular article.

Senator GALLAGHER: I think I've relied on that excuse once or twice in my time! Secretary, as reported in *The Canberra Times*, you made some comments alluding to the fact that there are 328 grant programs worth \$10 billion on behalf of departments and agencies. Are all of those—

Ms Huxtable: The point I was making there was that there are 328 programs, worth \$10 billion, that are either being administered by the grants hubs or in the process of transitioning to be administered by the grants hubs.

Senator GALLAGHER: Do you know how many are currently administered of that \$10 billion?

Dr Helgeby: Is that a question about the number of grants or about the number of grant programs?

Senator Cormann: Each program can have a series of different grants to different projects.

Senator GALLAGHER: It was more around the global expenditure that the secretary referred to—the \$10 billion. How much of that \$10 billion is administered through the grants hubs?

Dr Helgeby: The amounts the secretary was quoting were those grant programs and amounts that are either currently going through the grants hubs or in the process of transitioning to go through the grants hubs.

Senator GALLAGHER: Yes, but I'm trying to find out what's currently there and what's transitioning?

Ms Huxtable: We can take that on notice. The point I was making was—

Senator GALLAGHER: It's a lot of money.

Ms Huxtable: that this is the value of grants in scope for the grants hubs.

Senator GALLAGHER: Yes, massive. Do you have a list of those 328 grants programs? I went to your grants hub—before I get sent to your website—and couldn't get a list. You have to nominate a grant that comes up and then you can see it. Frankly, to do 328 of them would take forever. Is there somewhere you can find a list?

Dr Helgeby: We have a website called GrantConnect—

Senator GALLAGHER: Yes, I've been there.

Dr Helgeby: You've been to that?

Senator GALLAGHER: I think so. How many grants websites do you have?

Dr Helgeby: There's GrantConnect, which is a way of reaching out to grant applicants and recipients and letting them know about things that are going on.

Senator GALLAGHER: That's the one I went to.

Dr Helgeby: Then the individual hubs have their own websites. You seem to be asking questions about the detail of naming those 328—

Senator GALLAGHER: I just want to know what they all are and I couldn't find a list.

Dr Helgeby: We'll take that on notice.

Ms Huxtable: Yes.

Senator GALLAGHER: Alright. In terms of your Commonwealth grants rules and guidelines, is it the 2017 ones that are in place now?

Dr Helgeby: Yes.

Senator GALLAGHER: Do all of those 328 grants programs fall under these guidelines? If no, how many of the grants programs fall under these guidelines?

Dr Helgeby: There's a distinction between those people who apply the grants guidelines because they must and those people who apply the grants guidelines because they choose to. I would have to take on notice the exact breakup of that 328 as to which fit into which category.

Senator GALLAGHER: You couldn't say at the moment how many?

Dr Helgeby: I would think the majority would be in the must category. The majority are being run by non-corporate Commonwealth entities, and they are the ones to who the guidelines and also the grants hubs' processes apply, but there are corporate entities who also use the grants hubs'.

Senator Cormann: The Commonwealth Grants Rules and Guidelines are a legislative instrument under the Public Governance, Performance and Accountability Act 2013—

Senator GALLAGHER: Yes, I've got them.

Senator Cormann: which was passed under your government. Paragraph 42 of the explanatory memorandum for the bill for that act states:

The Bill will not seek to alter the operational independence of entities as set out in their enabling legislation. It is for the Parliament to set out the relationship between an entity and the Government; and not for general resource management legislation to do this.

On that basis, that's why, in the case of the sports grants program, Sports Australia, as a independent corporate entity, was not subject to it, but, of course, the government's made a decision now to accept the relevant Auditor-General's recommendation and bring it in.

Senator GALLAGHER: That's right. Can I just ask about that? In the audit report I think it says that Finance notes—I don't have the audit report with me—that recommendation.

Senator Cormann: Because it's a policy decision for government. Finance was not in a position to agree, but the government—

Senator GALLAGHER: I haven't got there yet, but—

Senator Cormann: When you say Finance notes, what I'm hearing you say is: why didn't Finance just agree? And the reason Finance didn't just agree is that Finance is not in a position to make a policy decision. That was a matter for the government, but the government has

decided to implement that recommendation and the department is now working to support the government in making that happen And that will require a legislative change.

Senator GALLAGHER: So when was the decision taken to agree to that recommendation?

Senator Cormann: Prior to the Prime Minister's press conference when he announced the resignation of Senator McKenzie as the Minister for Sport—sorry, the Minister for Agriculture.

Senator GALLAGHER: Sorry?

Senator Cormann: She resigned as Minister for Agriculture; she was no longer the Minister for Sport then.

Senator GALLAGHER: Can you take on notice when you found—

Senator Cormann: It's not when I found out. We made a decision together through the normal process of government, but I can take on notice—

Senator GALLAGHER: When Finance found out?

Senator Cormann: Ah, when Finance found out. I'll take that on notice.

Senator GALLAGHER: So, Finance, you have started work on amending the rules and guidelines based on that accepted recommendation?

Dr Helgeby: It is a rule change, so it's a legal instrument. Because it's a legal instrument applying to corporate Commonwealth entities, there's a process you have to go through and that's a process of consultation with the affected entities. There are about 71 or so entities that fall into that category. There is a consultation paper out with them that goes through what the proposed rule changes would be, and they have until 20 March to respond to that.

Senator GALLAGHER: So that's given them—what—six weeks or so, is it, to comment?

Dr Helgeby: About three weeks—something like that.

Senator GALLAGHER: Can we have a copy of that consultation document?

Dr Helgeby: Yes.

Senator GALLAGHER: Thank you. So, Finance, after being told—and we'll get that on notice—then developed the consultation paper. This goes there for three weeks, then what happens after that?

Dr Helgeby: So then the minister can make the rule.

Senator GALLAGHER: So it doesn't have to come in through regulation or anything? It just—

Dr Helgeby: The rules are subsidiary instruments, but the minister has the power to make that rule. So it's not a disallowable instrument.

Senator GALLAGHER: Do you have a time frame based on when you think that'll be in place?

Dr Helgeby: That depends on what the feedback is that we get by 20 March and what change might be required or not.

Senator GALLAGHER: And so there are 71—how would I find a list of the 71? Would they just be under your little map of all the different agencies entities—your colour-coded map?

Dr Helgeby: Our flip chart?

Senator GALLAGHER: Yes.

Dr Helgeby: Yes, they'll be listed on the flip chart.

Senator GALLAGHER: So I'll be able to find them pretty easily.

Dr Helgeby: You should be able to. Sorry, Senator, could I just correct something: actually the instrument will be disallowable, so it'll have 15 days.

Senator GALLAGHER: Oka, we don't like ministers making too many rules without parliamentary oversight.

Senator Cormann: I would be very surprised if you would disallow this particular rule.

Senator GALLAGHER: We just want to have a look at it—make sure it's a rule that's tough enough.

Senator Cormann: Yeah, sure. Go your hardest.

Senator GALLAGHER: I'm just interested in how your guidelines work. If these are going to be the things that provide further protection and guidance under grants programs, what happens if someone breaks these guidelines? I couldn't see—

Dr Helgeby: I'm not sure if you have access to our website—

Senator GALLAGHER: I do, yes.

Dr Helgeby: I think you'll find there a section called 'grants'.

Senator GALLAGHER: Yes.

Dr Helgeby: There are also a number of other documents I might refer to. In the section called 'grants', if you scroll down a little bit there are two flow charts that are published on that website, and they are flow charts that take you through the process and the requirements that apply to people. One flow chart is about the policy-approval process and one flow chart is about the publication—

Senator GALLAGHER: Yes—'publishing a grant'.

Dr Helgeby: I think they're colour coded. It shows you the bits that Finance does and it shows you the bits that Finance doesn't do in the whole process. Essentially, what has to happen is that relevant entities have to go through and follow these sorts of processes. This is a stylised view, but it's detailed enough to be relevant here. They work through all of these things, and that takes them to various considerations about whether they need to have guidelines that are published et cetera, whether they need to involve the finance minister et cetera, the publication requirements and all of these sorts of things. In following that, they are following the guidelines, but there are some supporting documents that are relevant as well. They're technically called resource management guides. There's a resource management guide, RMG No. 214, which is entitled: *Notification of significant non-compliance with the finance law*—

Senator GALLAGHER: Where am I going to find that?

Mr Dilley: We'll find it.

Dr Helgeby: We'll find you an exact location for it, but if you search—

Senator GALLAGHER: 412?

Dr Helgeby: No—214. If you go to that document—because the guidelines and the PGPA are part of the finance law—it positions, really, the obligations when there are breaches or appear to be breaches of the finance law, including what reporting is required and including also the nature of what's taken to be significant versus not significant. You'll see there that there are a lot of steps in the considerations that go into what to do in particular cases. Towards the end of that document, from about page 13 onwards—that concludes, by the way, annual reporting requirements—you'll see there are some case studies. There are about seven case studies that are there to help people to navigate their way through what happens if there is a breach. If there was suspected to be a breach, then, essentially, that guidance will help take people towards the appropriate action.

Senator GALLAGHER: I can't find that.

Dr Helgeby: You can't find the RMG?

Senator GALLAGHER: I think I'm in the right spot, but I can't find it.

Mr Dilley: If you went to finance.gov.au and then 'publications'—

Senator GALLAGHER: I'm on the 'approving a grant' site. Okay—yes. I'm there. Where would I go?

Mr Dilley: And then: /resource-managementguides—

Senator GALLAGHER: I might have to find it another time. I just don't want to take the committee's time up. So it's 214, you say?

Mr Dilley: 214. I'm sure we can get you a copy.

Ms Huxtable: I expect you could just search for 'RMG 214'.

Senator GALLAGHER: Yes, I might. But I'm trying to ask questions and search—it's multitasking. Do you rely on other entities reporting to you around concerns or breaches of this? How does Finance oversight the responsibilities of the rules and guidelines?

Dr Helgeby: The framework is essentially a devolved framework. It has been so for three plus decades. That framework is essentially built on agencies and the officials who operate within them positively applying the law in all of these cases. Because it's a devolved framework, the accountable authority is making judgements about what the right thing to do is and what sort of situation they are dealing with. There is a relevant resource management guide. There is a process by which significant issues can be raised. There are also other means by which non-compliance at a less significant level can be addressed. We do not police these arrangements. We establish the framework or work with government to establish the framework. We make information available to people and we support people in their decision-making, but the decision-making is in the hands of the responsible authority. If oversight is taken to be a compliance role, then we have a compliance framework role and there are some specific times when we get more directly engaged, but the primary onus is on accountable authorities.

Senator GALLAGHER: From your speech, Secretary, it does seem like a lot of money across a lot of different programs, and it's unclear to me how you keep tabs on it.

Ms Huxtable: The reporting of that speech, I think, implied that Finance administered the grants. That's not correct, and that is not what I said. The Community Grants Hub is administered out of the Department of Social Services, and the Business Grants Hub is administered out of the Department of Industry, Science, Energy and Resources. We have responsibility for the PGPA Act and the various grant rules and guidelines that sit within the framework of the PGPA Act and the various resource management guidance for entities. We work very closely with the grants hubs, but the grants hubs are the ones who are responsible for the administration of these grants. They do that under cost recovery arrangements with the entities that effectively own the grants.

The point I was making in the speech was really around some broader issues about how we drive efficiency across the public sector, particularly in looking at how many of the functions of government can be streamlined and can be put into a best practice framework. A benefit of a grants hub is that you have specialists who are administering grants. That's what they do.

I think the point I made in response to questions at the event was that often you'll find in both procurement and grant administration that some agencies will do a lot of them and some agencies will do very few. Ideally you want to have people working in both those spaces who have developed significant expertise. Basically, you do that through doing and through the processes that you have in place. Obviously, when you're doing a very large number of grants, as the industry and community grants hubs are, they also have and can develop the systems to gain efficiency in the process. From the other side, from the client side, from the recipients of grants, there is a great benefit in not having to work across different entities and not having different reporting arrangements on different timeframes. Some of the genesis of this goes back 10 years when we did some work when I was with the Department of Health, just how much of the Health administration was on grants administration. Everyone in the executive was quite surprised at the level to which staff were involved in that day-to-day grants administration. There was a partnership developed with the Department of Social Services back then—that's going back quite a long time—to help streamline some of those processes. In some ways we have built off that. We're now at this two grants hubs approach, and we think that's a great benefit both for government administration and for the consumer of the grant in moving to these arrangements.

Senator GALLAGHER: I've found your RMG 214. In terms of that, your annual report says that there were no reports of any matters of significant noncompliance with the finance law. That's where I would find it; that's where you publicly report whether there was?

Dr Helgeby: Yes, you publicly report in your annual report.

Ms Huxtable: But that's in respect of the finance department. You would have to go to each individual department.

Senator GALLAGHER: Okay. So, if there's noncompliance in a grant process that's administered by another agency, they report in their annual report, but there's no report to you as the PGPA people that that's what's happened?

Dr Helgeby: I think there are two different things in that question. One is about the agency's obligations to report publicly in an annual report.

Senator GALLAGHER: Yes.

Dr Helgeby: The other goes to the need to inform at various points in time Finance and/or the Minister for Finance in relation to key issues, which would include the significant breaches. For example, you'll see on RMG 214 on pages 10 to 11 a section that talks about the process for reporting significant noncompliance—when to report, how you report if you have to report to the responsible minister and the finance minister. It then goes on to explain how the annual report fits into it.

Senator GALLAGHER: In relation to some of the programs that have come to public attention in recent times—I know the Community Sport Infrastructure program was dealt with, and that's going to come under these guidelines once you've finished your work on them. But some of the other funds—the Environment Restoration Fund and the Regional Jobs and Investment Packages, and I think the Urban Congestion Fund is a separate one; that's not a grant program per se—

Senator Cormann: It is a grants program. It's not a competitive grants program.

Senator GALLAGHER: So, that wouldn't come under this—

Senator Cormann: The Urban Congestion Fund is a reflection of election commitments.

Senator GALLAGHER: Would the Urban Congestion Fund come under these grant rules and guidelines?

Dr Helgeby: Senator, perhaps I could just clarify: you listed a number of programs there. Is your question about whether they fall under the grant rules?

Senator GALLAGHER: That's what I'm trying to work out. Do those programs fall under these guidelines?

Senator Cormann: The Urban Congestion Fund is not a competitive grant program, as I've indicated in the chamber.

Senator GALLAGHER: Yes, so I understand that it didn't fall under these ones. My question—and I can separate it out—is: does the Urban Congestion Fund fall under these guidelines?

CHAIR: Perhaps I could just jump in regarding these documents. Dr Helgeby, was your intention with these documents just to provide them to Senator Gallagher to assist her questioning? Or was it to be tabled by the committee?

Dr Helgeby: To table them.

CHAIR: It says 'limited circulation' on here. I gather that's redundant and you're happy for it to be made public?

Ms Huxtable: Well, I guess because we've just sent them out for consultation to the corporate Commonwealth entities—

Dr Helgeby: Yes, we have sent them out for consultation.

Ms Huxtable: Maybe it's best if they're just for the information of Senator Gallagher.

CHAIR: Okay—just for information rather than to be tabled.

Ms Huxtable: Yes, at this point.

CHAIR: That's fine.

Ms Huxtable: We will now go through that consultation process and come out the other end.

CHAIR: No problem.

Dr Helgeby: Senator, I don't have any detailed information on that particular program, so I'll take that on notice.

Senator Cormann: And it's not a program under this portfolio, either.

Senator GALLAGHER: I know, but this guideline covers a range of programs and grants across a whole range of—

Senator Cormann: We'll see whether we can assist you on notice.

Ms Huxtable: Senator, if you provide us with the ones you're interested in we can take those on notice.

Senator GALLAGHER: I'd go with the Regional Jobs and Investment Packages, the Urban Congestion Fund, the Environment Restoration Fund and the Female Facilities and Water Safety Stream program. That should be enough. If you could tell me whether those fall under these guidelines, that would be good.

Ms Huxtable: We'll take that on notice.

Senator GALLAGHER: Does Finance have any role in instructing agencies or entities about whether there should be guidelines that accompany a particular grant program? Do you have a broader role? Or is that determined by the agency?

Dr Helgeby: I might take you back to the flowcharts. The flow chart there shows the various steps: there are guidelines which are required but there is no requirement to provide them to Finance, and there are guidelines which are required and must be provided to Finance.

Senator GALLAGHER: Okay. So is that in the grants policy framework? Where do I find the flow charts?

Dr Helgeby: You go to the grants tab, and in the policy bit—I think it might be called 'framework'—scroll down about—

Senator GALLAGHER: Oh, yes, flow diagrams.

Dr Helgeby: Yes, the coloured flow diagrams.

Senator GALLAGHER: Thank you. I think you have answered this, Minister, but I will just ask Finance anyway: did Finance receive any correspondence directly from the then Minister for Sport or correspondence they were copied into in relation to the allocation of Community Sport Infrastructure Grant program?

Senator Cormann: I have answered this, and the answer is no.

Senator GALLAGHER: I was just asking whether Finance—because you know how sometimes agencies would go, 'We're allocating this'?

Senator Cormann: And the answer we've provided is it was quality controlled by Finance. I was asked that question at various times by the media. I responded to it, and that was fact-checked by Finance at the time. And because Sport Australia was not subject to the Commonwealth grants rules and guidelines, no such report was received.

Senator GALLAGHER: Okay, so they don't have to—I know from previous experience that if somewhere is allocating funds, they quite often cc: in Finance or Treasury to say, 'This money's going out the door.'

Senator Cormann: That's not how it normally works, no.

Senator GALLAGHER: Alright. Finally, because I have to hand over, on Friday the former CEO of Sport Australia, Ms Palmer, said that she thought Sport Australia had sought advice from the Department of Finance about managing grants during the caretaker period. I presumed she meant Prime Minister and Cabinet, but I think it's worth checking.

Senator Cormann: We don't provide advice on—

Ms Huxtable: I'm not aware of that and it would be—PM&C provides caretaker advice, not Finance. I'm certainly not aware of that.

Dr Helgeby: That's right; we don't provide advice on that topic.

Senator GALLAGHER: I had to ask that because that was the evidence she gave. Just to finish up on grants, is there any directive that discretionary and administered grants programs must be delivered through one of the grants hubs?

Dr Helgeby: There is a policy which applies particularly to non-corporate Commonwealth entities that says there are 12 entities which are in scope for delivery through the grants hubs. It is possible to have exemptions, and in particular cases it's not relevant to use the grants hubs because it's not the right thing to do to use the grants hubs. But for the 12 in-scope entities, the presumption is that grants hubs will be used or at least consulted in the process of determining how to deliver something.

Senator GALLAGHER: Can I have a list of the 12 entities?

Dr Helgeby: Yes. Now, some of this may have changed a little bit over time: Attorney-General's, Agriculture, Infrastructure, Defence, DESE—education, skills and employment—Health, Home Affairs, Industry, which has a much longer name now, DSS, PM&C, the National Indigenous Australians Agency and DVA.

Senator GALLAGHER: Thank you. So it's not a directive, it's a policy?

Dr Helgeby: It's a policy.

Senator GALLAGHER: Is there any enforcement of that policy? Whose role is that?

Dr Helgeby: With all policies, as I said, there are processes which you go through in order to make decisions about the establishment of grants programs. These matters are considered through that normal process. But, as I also said, there are exemptions available.

CHAIR: Senator Gallagher, this will have to be a last question.

Senator GALLAGHER: Have any of those agencies sought exemptions?

Ms Huxtable: Exemptions are sought from time to time, but I think we'll probably have to take that on notice.

Senator GALLAGHER: You have to take the exemptions on notice?

Ms Huxtable: If you want to know—sorry, I thought you were asking if we could say what exemptions had been provided. I think we'll have to take on notice exactly what exemptions have been provided and over what time frame.

Senator GALLAGHER: Yes, I would be interested in that.

CHAIR: Thanks, Senator Gallagher. I'll offer the call to Senator Scarr now. Just for clarity, will you require outcome 2 after the break at 4 pm or can we move to outcome 3?

Senator GALLAGHER: I'll check while Senator Scarr—

CHAIR: That's a good idea.

Senator SCARR: I'd like to ask some questions on the Transparency Portal. Who needs to be at the table on that?

Dr Helgeby: A couple of us are here already.

Senator SCARR: Excellent. Firstly, can I commend you on the Transparency Portal. I've used it and actually found it to be really useful. I was keen to get some background on what the genesis of it was, what the concept was, and then I've got a few questions about how it's being developed and the future direction of it.

Dr Helgeby: Thank you very much for the question, Senator. The Minister for Finance launched the Transparency Portal back in the first half of last year—March last year. It's been growing since then. I think we had at last count about 33,000 unique users of the portal. The intention is to make information more readily available and searchable. As you know, at the moment, there are primarily annual reports on there. Over time more years of annual reports will be added and then other types of documents will be added. Some people have put corporate plans up there. Some people have put portfolio budget statements up there, and one or two other documents are up there.

One of the key things about the portal is it makes data searchable. The data is created digitally and the ability to do search terms, create tables, graphs and export that material readily exists in a way it never existed with hard copy documents alone.

Senator SCARR: Just to give you an example of that: from my use of the portal, you can pick a topic like remuneration and you can track remuneration changes between, say, key management personnel year to year but you can also compare remuneration for key management personnel between different departments or agencies.

Senator Cormann: This is a great initiative out of our Public Service Modernisation Fund, which was a \$500 million commitment. Talking about funds—and we had some discussion about the bush recovery fund—in the context of putting in place an efficiency dividend a few years ago that was to release savings of about \$1.9 billion at the time, we committed to reinvest \$500 million into the modernisation of the Australian Public Service and this was one of the initiatives that came out of that process.

Senator SCARR: You mentioned, I think, 33,000 distinct users?

Dr Helgeby: In fact, we're up to 35,000.

Senator SCARR: I'm one of them: I'm in that merry crew. In terms of the dataset, there's a range of datasets you can compare. Are those datasets under continual review in terms of: do we need to add something; which datasets are popular and which are being accessed more than others so that the portal itself can evolve by dint of demand for what data people are actually searching for? What's the process in that regard?

Dr Helgeby: That's absolutely one of the things we are interested in. We track duration, page visits. Because at the moment it's primarily annual reports on there and the time series

functionality has to grow a little bit, we'll keep expanding that. One of the things in the current version of the portal is that it really picks up those things which are mandated in the annual reporting rules and requirements. As those change, we will change the fields and we'll continue to update them. But there is a feature which I would like to point out which is that, for the first time, through the portal, people can do quick financial ratio analysis of an entity or across entities. That's not a functionality that has really existed in any meaningful way prior to now. As we have experience with that, we will add more types of ratios to it, and, as we have experience with adding more documents to it, we will enrich the search fields and that capability. I do think that the ability to present information both graphically and in text form and tabular form is actually one of the strengths of it as well, but we are very much monitoring how people use it and we will enhance the product as we go along.

Senator SCARR: I want to compliment the team behind it, because I found it very user-friendly and I thought I would promote it to the world, because it's there to be used. One other topic I wanted to cover in the five minutes I've got left before afternoon tea is in relation to invoicing and e-invoicing. There's a lot of concern, or has been, in my home state of Queensland in relation to large corporates, in particular, using payment terms as a way of basically getting their small businesses to provide them with working capital facilities. I note that the Department of Finance has undertaken some work on payment terms. What is the current policy with respect to payment terms?

Ms Huxtable: There are two elements. On 1 July last year payment terms were reduced by a third, from 30 days to 20 days. This relates to the Supplier Pay On-Time or Pay Interest Policy. This is across government, so it's a broader reach than just Finance. On 1 January 2020 there was an amendment to that, an additional element which related to five-day payment terms for e-invoicing using the agreed framework for e-invoicing, which is the Pan-European Public Procurement On-Line framework, commonly known as the PEPPOL framework. The payment policy applies to contracts valued up to \$1 million, but that does capture around 95 per cent of Commonwealth contracts, and it's mandatory for all non-corporate Commonwealth entities.

In respect of the e-invoicing element which you referenced, enabling e-invoicing requires action on both sides so that the invoice can be transmitted, received and paid. We've been working through our service delivery office, which is our shared service hub—Finance has one of the shared service hubs across the Commonwealth—to enable that e-invoicing capability. I am pleased to report that we are able to pay using the e-invoicing technology. Both us and Services Australia now have that capability and have had that capability since 1 January 2020. My understanding is that we have received and paid an invoice using that e-invoicing framework. The development process was very intense to hit that 1 January deadline. We're pleased with the progress that we've made. Business also needs to enable itself to transmit e-invoices, and some businesses have got themselves ready for that. I know there are some Canberra based businesses that are able to lodge their e-invoice, and we're able to deal with that.

Senator SCARR: I think it's a great initiative. Do you have any expectations with respect to uptake—the percentage of suppliers with contract value of less than \$1 million who you expect to transition to e-invoicing?

Ms Huxtable: I think it will be a gradual transition, but the officers might have more to say.

Mr Hunt: We don't have any estimates of the uptake, but the ATO are doing some work on broader uptake initiatives, both within government and externally, so they may be able provide a bit more information.

Senator SCARR: It's a big incentive for a supplier if they can get paid in five days rather than 20 days.

Mr Hunt: It is.

Ms Huxtable: Yes.

Senator SCARR: As I understand it, if they don't get paid within the five days, the policy or the rules are that interest is paid. Is that correct?

Mr Hunt: There is interest payable if the payment terms that apply are exceeded. If five-day payment terms apply, interest accrues from the first day after that.

Senator SCARR: In terms of process, does the supplier request the interest to be applied or is it something that the system generates?

Senator Cormann: I think you'll find that the relevant suppliers who haven't had their bill paid on time are very conscious of this right that they have.

Mr Hunt: It is a mandatory part of the policy. It is not optional to put those interest clauses in. They are automatically included in the contract under the policy.

Senator SCARR: Excellent. Thank you.

CHAIR: We are right on time. Senator Gallagher, outcome 2?

Senator GALLAGHER: I meant to say this at the beginning of the day: part of the issue here is the way the program is structured because of the different arrangements—

CHAIR: Yes. With the shared responsibilities between Senator Seselja and Senator Cormann, it is more complex.

Senator GALLAGHER: Exactly. So what it means is that outcome 2 comes back but only for certain parts and not for other parts. So outcome 2 is getting split in half, which is my problem.

Senator Cormann: That is as we did last time. I think the way we did it last time will be helpful in terms of outcome 2 because we understand that challenge. I have only got responsibility for outcome 3, which is 'Support for parliamentarians', as the Special Minister of State. And then I've got the Independent Parliamentary Expenses Authority.

Senator GALLAGHER: I think that's why it has been structured this way instead of having all of 2 put together.

CHAIR: Yes. We wouldn't do that by choice, but it is necessary given those responsibilities.

Senator GALLAGHER: I have a lot of questions for program 2, but now I've got to go and work out whether they are in this section or that section.

Senator Cormann: Why don't we do it like this—we did it like this last time and I think it worked: Senator Seselja will be able to deal with outcome 2 and will be helpful in dealing with the issues that come under outcome 2 when he is at the table.

Senator GALLAGHER: Okay.

CHAIR: And I'm sorry but any potentially relevant officials will have to stay just in case they are needed for that part of outcome 2. That means, by agreement, we will proceed to outcome 3 after the afternoon tea break and then we will do IPEA and then we all come back with outcome 2 with Senator Seselja, taking into account that there may be some jurisdictional issues.

Senator Cormann: You could probably take IPEA and outcome 3 together.

CHAIR: Yes. I wouldn't have any concerns with that, minister, if you are comfortable with that.

Senator GALLAGHER: I think that would be fine with us, too.

CHAIR: Let's return at 16:04 with outcome 3 and IPEA.

Proceedings suspended from 15:48 to 16:04

CHAIR: The committee will now resume. As previously flagged, we are moving on to both outcome 3 and IPEA.

Independent Parliamentary Expenses Authority

[16:04]

CHAIR: I welcome Ms Annwyn Godwin. Do you wish to make an opening statement?

Senator Cormann: Chair, Ms Godwin does have an opening statement but, as we discussed before the break, for the efficiency of proceedings, given that both outcome 3 and IPEA relate to 'Support for Parliamentarians and others as required by the Australian Government through the delivery of, and advice on, entitlements and targeted assistance', we thought it would make sense for both to appear together. But IPEA is independent from Finance in relation to its functions, so just bear that in mind.

CHAIR: Thank you for that clarity, Minister. That's appropriate.

Ms Godwin: Chair and committee members, thank you for the opportunity to make an opening statement. IPEA starts the new decade with a continuing focus to provide parliamentarians and their staff with necessary services to undertake their critical role in Australia's democracy. IPEA balances this focus with the Australian public's expectation that taxpayers' funds are spent for their legislated purposes and represent value for money. IPEA continues to provide oversight of travel expenses for parliamentarians and their staff, including definitive personal advice.

We also continue to provide transparency and assurances on all work expenses through our reporting and audit functions. As you would be aware, we have now finalised a number of audits. These are published on our website. These audits are important publications, approved by the members of the authority. The members bring a diversity of experience to their roles and add significant value to the reports.

In my first opening statement two years ago, I noted the intention to bring a firm but fair approach to IPEA, and I believe the quality and thoroughness of the work that we have

undertaken demonstrates that IPEA have delivered on this undertaking. Throughout the coming 12 months, IPEA will continue the journey of education, awareness and provision of personal advice to better assist parliamentarians and their staff when making travel and travel related decisions about spending taxpayer funds.

I would emphasise that we are, however, wherever possible, here to support. As part of this support, last year IPEA launched an online education and training program and modules to assist parliamentarians and their staff become familiar with and accurately apply the principles based work expenses framework. The training program was recognised across the public sector as an exciting and innovative methodology for training, and IPEA intends to continue to build upon this initial concept and, by working with parliamentarians and their staff, provide an integrated suite of training. While IPEA can provide a range of support materials, it is up to parliamentarians and their staff to avail themselves of that support and seek specific advice on their particular circumstances. In 2020, all parliamentarians can expect IPEA to reach out and work closely with their offices.

Assurance and audit work on all work expenses accessed by parliamentarians are an integral part of IPEA's functions. IPEA, in this vein, look forward to meeting regularly with parliamentarians and staff in Parliament House and, wherever possible, to visiting electorate offices to provide tailored training on travel and travel related expenses. We are considering further how we can improve our advice services through streamlining telephone services for a quicker expert response.

Also during 2020, the Department of Finance is scheduled to deliver the Parliamentary Expenses Management System, PEMS. This is a significant milestone in the move to a long overdue modernisation and automation of the system used for claiming and reporting work expenses for parliamentarians and their staff. Like parliamentarians and their staff, IPEA are a client of this significant project, and we look forward to working with all parties through the testing and implementation phases. As with the introduction of any new technology, IPEA are preparing for a transitional period as PEMS is implemented, and we will continue to work with the Department of Finance to minimise disruption and mitigate any unintended consequences. User acceptance testing will commence later this month, and we'll continue to work very hard to concurrently complete this testing and deliver our high-quality advice and service.

I want to acknowledge the extraordinary commitment of my fellow IPEAns during 2018-19. Statistically, IPEA administered in excess of \$60 million relating to approximately 200,000 claims for travel work expenses. IPEA also provided around 4,000 reports to parliamentarians for their scrutiny. In addition to these business-as-usual roles, IPEA realigned our functions, launched IPEA-ED and prepared for an election. The federal election was IPEA's first, and first under the principles based framework. While this period was particularly busy, preplanning and working closely with all parties meant that services were provided relatively seamlessly.

Immediately following the election, IPEA met with all new members of parliament and, later, with new senators to provide information on the aspects of the legislative framework for which IPEA is responsible. The election guidance material developed for travel during the election campaign was very well received by parliamentarians and their staff, and prior to the next election the material will be reviewed to incorporate lessons learned. Included in the

information pack to all parliamentarians post the election was a statement of expectation. Complementing this statement, IPEA have recently published on our website service level standards for travel advice and processing. Parliamentarians and staff can assist IPEA by providing complete, accurate and timely information to minimise delays.

In what was a very busy year for all, I also want to personally thank you and your staff for your feedback provided through the 2019 survey. While the overwhelming majority of the feedback reinforces our subject expertise, professionalism and commitment to service, all feedback assists us to continually improve. One area identified for further work was to update the navigation tools on our website, and as a result of this feedback we are currently reviewing our approach in this area. I reiterate that the provision of quality services to parliamentarians and their staff remains the highest priority for my team, and we will continue to seek to meet or exceed expectations. I look forward to questions that you may have.

CHAIR: Thanks. We will go first to Senator Farrell and then to Senator Rice, noting that we are due to finish with this minister, and therefore the agencies that report to him, at 4.30 and go to Senator Seselja, so we're going to have to be very efficient with our time.

Senator AYRES: Chair, may I just quickly—I've got two minutes worth of questions and then Senator Farrell will go after me.

CHAIR: Sure.

Senator AYRES: I want to ask some questions about MOPS bargaining. I see that the last bargaining meeting was scheduled last Friday. Where is the bargaining up to?

Mr De Silva: There have been six bargaining meetings. They commenced on 15 November last year. They were on 15, 22 and 29 November, 12 December, 20 January and 7 February. There was a further one on 28 February, last Friday, and we're expecting a further one to occur at the end of this week. We're still aiming to have the bargaining completed as soon as possible to try to ensure that there's a new agreement in place.

Senator AYRES: Can I take it from what you're saying that it's almost at an end? Is that right? Are there any major sticking points?

Mr De Silva: Well, there have been six meetings, we've worked through all the claims that have been put forward, and we're currently providing responses back from the government in relation to each of those claims. We went through some claims last week and we're expecting to go through the remainder in the near future.

Senator AYRES: Major sticking points or difficulties?

Mr De Silva: I couldn't really say if there are particular sticking points. We've provided responses back, and all of those responses are consistent with the bargaining policy.

Senator AYRES: I'll ask two questions in one: has the time line for finalising the negotiations changed, and is it anticipated that you'll be completed by the normal expiry date?

Mr De Silva: We're still aiming to complete it by that date. It will depend on the outcome of any ballot and pushing the agreement through the Fair Work Commission. The normal expiry date—

Senator AYRES: Putting aside the formal processes, do you anticipate that getting to agreement will be—

Mr De Silva: That's what we're aiming for but I can't guarantee a particular outcome.

Senator AYRES: I note that paid domestic violence leave and paid parental leave do not form part of the agreement at the moment. I think domestic violence leave is part of people's sick leave debit. Is there any new thinking from the department on that?

Mr De Silva: I'll need to confirm where that's up to. I'm not sure if we can make a comment on that point at this stage.

Senator AYRES: Could you come back to me on notice about your position on that.

Mr De Silva: I'm happy to do that.

Senator AYRES: Perhaps on notice as well: has a software provider been contracted for voting? And what safeguards are being put in place to make sure that people—

Mr De Silva: I happy to take that on notice as well.

Senator AYRES: And that the vote counting is done properly. That's all from me. Thank you.

Senator FARRELL: I have one question about the personal employee position, Minister. I notice former prime ministers' staffing—three on the 1 October date and three on the 1 February date, except Prime Minister Abbott who's had four. Can you just remind me why former Prime Minister Abbott has four?

Mr De Silva: It is generally quite normal. When a former PM gets allocated staff, they generally get allocated an additional staff for a short period of time. That happened with the former PM Malcolm Turnbull as well, and it generally drops off after that.

Senator Cormann: But Mr Abbott left parliament later than Mr Turnbull, so I suspect that whatever the transition period will run for a bit longer for Mr Abbott than for Mr Turnbull.

Senator FARRELL: So it relates to when they left.

Senator Cormann: Yes.

Senator FARRELL: When they first leave, they get four for a period. Is that—

Mr De Silva: Staffing allocated to former PMs is a matter for the current PM. Historically, it has been that a former PM gets an additional staff member for a period of time, but, in any individual case, it will be a matter for the current PM to make that determination.

Senator FARRELL: Because former Prime Minister Abbott has left more recently than any of the other Prime Ministers, he fits into that category.

Senator Cormann: Yes.

Senator FARRELL: I have some MAPS questions. We put some questions on notice. The answers to questions F035 and F126 stated that 98 per cent of client contacts were acknowledged within 24 hours and responded to within the agreed time frames. The answer said that the automatic acknowledgement email is not included when measuring those acknowledgement rates. My question is: does that mean that a different, manually generated email is sent within 24 hours to acknowledge 98 per cent of client inquiries?

Mr De Silva: It might be in an email or it might be a telephone call.

Senator FARRELL: The answer also stated that the time frame for responding to an individual inquiry is agreed with the client and depends on the nature and the complexity of

the matter. At what point is contact made with the client to agree the response time frame? And do you phone the client or is it part of the acknowledgement email?

Mr De Silva: If a phone call has come in and a message is left or an email comes in, the helpdesk would contact that client via email or will speak to them, and, based on the nature of the information requested, we would give an estimation of the time it may take to respond to their query. Their query might be very straightforward and they can just provide the answer on the spot, but, if it's a more complex matter, the officer for the helpdesk would work out, 'We think this is going to take X days,' and that's what we would work to.

Senator FARRELL: Have you changed your appearance, Mr De Silva?

Mr De Silva: I've got a goatee now.

CHAIR: I'm not sure that is consistent with—

Senator FARRELL: It was a straightforward question with a straightforward answer.

CHAIR: Yes, not consistent with this program, but anyway—

Senator Cormann: You should try a goatee, Senator Farrell. I think it would suit you well.

Senator FARRELL: I've got nothing to hide, Minister!

Senator Cormann: Is that a reflection! It would be good for the Otis brand, think!

Senator FARRELL: Oh, do you think!

Senator AYRES: It makes me tend to think about you with one, Senator Cormann.

Senator Cormann: If it could persuade Senator Farrell, I could perhaps be persuaded!

Senator FARRELL: We could both do it—

Senator Cormann: In solidarity.

Senator FARRELL: for next—

Senator Cormann: If you commit to sensible energy policy, I might think about it.

Senator FARRELL: We've got an extremely sensible policy, Minister.

Senator AYRES: At least we've got one.

Senator FARRELL: Yes, that's right—at least we've got one. I'm sorry I was slightly diverted from questioning there.

CHAIR: Yes, and we do have limited time, so, as much as I'm enjoying this—

Senator FARRELL: Neither my office nor any other office that I know of has ever received an acknowledgement email, other than the auto-reply acknowledgement, and nor have time frames for responses ever been agreed. What actually are the agency's KPIs for responding to inquiries?

Mr De Silva: In terms of the KPIs, it's to acknowledge within 24 hours, but, as it says, it is to respond with the answer or the information within agreed time frames. So the KPI is to acknowledge within one day, but, to respond to the matter itself, as I said, it will depend on the complexity of the issue raised and based on the discussion that the officer may have with that client, either by email or by phone.

Senator FARRELL: My office is saying that we haven't been getting acknowledgements, other than the auto-reply. Is there something unique about my office?

Mr De Silva: I wouldn't think so. Is it that you've called the helpdesk and the answer has been given on the spot, or that you've left a message and you're waiting for someone to come back? If someone calls the helpdesk and they just get the answer when they ring, we won't then send an acknowledgement out.

Senator FARRELL: Run that by me again?

Mr De Silva: Say someone calls the helpdesk and says, 'I'd like some information on this issue,' if the information is very straightforward, the helpdesk will just provide that to that client; we would then separately acknowledge that they've asked a question and we've answered it, because they've dealt with it on the spot. So quite often a range of issues will just be dealt with when the phone call's actually taken, but where someone rings in and has to leave a message or sends an email, then our practice is to respond to them within the 24-hour period and then to work out in what time frame they can respond to that question.

Senator FARRELL: An issue has arisen, and I'm happy that the name of this office be given outside of the committee hearing, but I'd just like to go through the sequence of events that occurred and just see what your response might be. There was a request for several claims for reimbursement that were sent on 23 December. On 24 December, MaPS replied to say it would process all but one of the requests and provided a reason as to why one of the claims wouldn't be paid. On 20 January, after the Christmas leave break, the office emailed more information to MaPS as to why the outstanding claim was eligible for reimbursement. On 30 January, after hearing nothing, the office again emailed MaPS. After still hearing nothing, the office resubmitted its claim on 7 February. The office again followed up 10 days later with a phone call, in which they were promised an update. That was on 17 February, and the office has still not heard anything. So the question is: when, in those circumstances, did MaPS liaise with the client about the agreed time frames?

Mr De Silva: I'm happy to take it on notice.

Senator FARRELL: Yes. Okay.

Mr De Silva: There is a fair amount of information there. I'm assuming that there were a whole range of claims that were actually just dealt with immediately, but there was one claim—

Senator FARRELL: Outstanding.

Mr De Silva: which was outstanding.

Senator FARRELL: Yes. And that seems to have been the issue, and there just doesn't seem to be appropriate communication. As I said, I'm happy to provide you with the details—

Mr De Silva: If you could, I will make sure that we have a look into that.

Senator FARRELL: Again, last week my own office sent an inquiry to the MaPS help email address on Monday, and another separate inquiry on Wednesday, and we still haven't received an acknowledgement, let alone a response or any communication agreeing a response time frame. Why would that be?

Mr De Silva: Again, I'm happy to take it on notice. As I said, it is at 98 per cent, so we'll have a look at—

Senator FARRELL: Do you think we're just unlucky?

Mr De Silva: I would hope not, but I'm happy to look into that.

Senator FARRELL: Is there a funding issue here? Have you got enough staff to do the job?

Mr De Silva: It's a busy area, but we've got enough staff and we increased the number of staff on the helpdesk this financial year by two.

Senator FARRELL: Two full-timers?

Mr De Silva: No. We increased the helpdesk staff by an additional two staff.

Senator FARRELL: Yes. Two full-timers?

Mr De Silva: I think they were full-time.

Ms Barons: Yes.

Senator FARRELL: What does that bring the staffing in that area to?

Mr De Silva: I'll just double-check.

Senator FARRELL: Is that on the list that you gave me earlier?

Mr De Silva: It brings the total staff on the helpdesk to 12.

Senator FARRELL: So the previous financial year it was 10.

Mr De Silva: Yes.

Senator FARRELL: Based on that, response time should be getting better. Is that the assumption that we should make?

Mr De Silva: We try to ensure that we meet all the KPIs. I would note that in any given six months we will get probably 10,000 queries through the helpdesk, and, based on that, we still are able to meet the KPIs. But I'm happy to look into the issues that you've raised and ascertain exactly what happened.

Senator FARRELL: Could you please provide on notice the number of inquiries that are: firstly, more than seven days outstanding, including inquiries that had an initial response but where further issues were raised and not resolved; secondly, more than 14 days outstanding; thirdly, more than 30 days outstanding; and, finally, more than 60 days outstanding.

Mr De Silva: I'm happy to do that.

Senator FARRELL: Thank you. I'd like to ask some questions about PEMS. Who would be the best person to answer?

Ms Jones: I may be able to assist in the first instance. There's also Mr De Silva, and we have an officer from our information and communications technology division. But let's see if I can assist in the first instance.

Senator FARRELL: I refer to PEMS, which is being incrementally rolled out. How many offices, out of the 151 MPs' offices and the 76 senators' offices, have access to PEMS?

Ms Jones: All offices should have access.

Ms Thomsett: In total, 805 people that are allowed to access PEMS have done so, and 120 of those are now using the new SMS two-factor authentication. But I think there are up to 2,000 people that potentially could be accessing PEMS.

Ms Jones: If I could frame it and add to Ms Thomsett's information there: currently 98 per cent, which is 223 out of 227 parliamentarians' offices, have logged onto PEMS. Of that amount, 81 per cent—that's 186 offices—have used PEMS to certify office or travel claims.

We've got two per cent that we still need to focus on, to get them logged on and using the system to some extent, and we're still working on that.

Senator FARRELL: Does that mean 81 per cent of offices are regularly using PEMS?

Ms Jones: I think that's fair to say—to some degree. I can't say that, of that 81 per cent, they're using it 100 per cent of the time, but they are using it for some aspects of office and travel claims.

Senator FARRELL: Are you able to provide us with a month-by-month usage statistic for each parliamentary office since May, at last year's election?

Ms Jones: I'd need to take that on notice.

Senator FARRELL: Yes, I appreciate you won't have that information. You mentioned the two-factor authentication by SMS. You might recall I asked some questions about that last time and it seemed like it was impossible to do, and then all of a sudden—

Senator Cormann: You inspired us—

Senator FARRELL: I like to be an inspiration, Senator Cormann. Magically it seems to have been done. What changed between the last set of estimates and this set of estimates?

Ms Jones: Quite genuinely, a number of PEMS users suggested that the mode of two-factor authentication that they currently use with banks would be a more appropriate way of securing PEMS. We had gone with the original approach based on our security assessment. In light of the feedback we were getting from clients, including yourself at the most previous estimates, we requested that our IT experts go away and explore whether we would be comfortable, whether we'd be satisfied, with the security settings in the new approach. We investigated and agreed it was. It was a reflection of taking on board client feedback.

Senator FARRELL: That's excellent. I have some more questions about that system but I will put those ones on notice. I have some questions about Senator Patrick's most recent software build of \$50,000. I note from media reports that in the July to September 2019 quarter Senator Patrick spent \$49,600 on software, which was \$40,000 more than others nearest MPs. What software was this expense for?

Mr De Silva: I'd have to take that on notice.

Senator Cormann: I should just say, as you know it is established practice—and I'm 100 per cent non-partisan. I'm 100 per cent neutral and non-political in any way in relation to this. Beyond what is reported in the ordinary course of events, as part of public reporting, we would not provide commentary on the use of work expenses and resources by individual members and senators, whether that is a Labor, Green, Liberal, National or crossbench member or senator that is precisely the same approach. There is a transparency mechanism through the established reporting. Beyond that, any explanations, if required, ought to be provided by the individual member or senator concerned.

Senator FARRELL: I appreciate what you have said, Minister, but this is way out of the ballpark in terms of expenditure—\$40,000 more than any other MP—

Senator Cormann: The person to address that question to is the senator involved.

Senator FARRELL: I have some questions. If you choose not to answer them that's up to you, but I would like to at least put those questions on notice. What tests have been applied to ensure that the expense was for the senator's parliamentary business? Do you consider that

the expenses meet the value for the money test as required by regulations? That's a question for IPEA. Was Senator Patrick asked to provide any evidence of value for money for this purchase?

Mr De Silva: Happy to take those all on notice.

Senator FARRELL: Alright. I'll ask some questions in respect of IPEA because I appreciate they've come along. How many inquiries has the authority now received and answered since its inception?

Ms Godwin: Since our inception, 3 April 2017—this period just takes you to 31 January 2020—for all advice our client contacts have been 30,402. I can break those down as per usual arrangements. Of those, staff travel has accounted for 15,548; parliamentary travel for 6,222; reporting queries, 4,069; 'other', which could include, for example, things to do with former parliamentarians or family reunion travel, 2,013; audit related queries, 1,428; PEMS related queries, 729; and election related queries, 393.

Senator FARRELL: Thank you. You might recall that last time I raised the issue of a parliamentarian's monthly management report going to the wrong parliamentarian. You may recall it was the new senator, Senator Marielle Smith. What procedures have you put in place since that inquiry to ensure that it doesn't happen again?

Ms Godwin: Thank you very much for that query as well because, as you know, we do take our privacy related issues very seriously. In addition to the things I mentioned in our last estimates discussion, we have put in place a range of—I hate to use the term 'two-factor authentication', given some of the questions—

Senator FARRELL: No, that's working well. The two-factor has come good.

Ms Godwin: We've made sure that whenever an email address is entered into an IPEA database an IPEA staff member different to the staff member who actually entered that information is required to check that entry. So we have two different people checking the entries that have gone in. Whenever data is mapped into the EMS, the expense management system, a similar process is in place whereby a staff member different to the staff member who mapped the data initially will check that the data was mapped correctly. As I've also mentioned previously, we've continued to do a whole range of privacy related awareness with staff, both individually, at a team branch group, and through a whole-of-IPEA approach. So we're really reinforcing how important the privacy of this data is.

They're the internal arrangements that we've put in place, and we've used a similar approach for any potential breaches arising for us engaging externally. Again we've had two processes. Someone will put the data in the first time, and then we have someone separate, an independent, look at it and map it in the second time we go through. We're really reinforcing to all staff the need to check all personal details—it might be a name—but then to check an additional requirement for that, which would be an identifier. It could be a middle name, it could be an address, it could be a date of birth, or it could be something else that will also verify that that is the individual we are contacting.

Senator FARRELL: With these new improvements, have there been any examples where something's gone to the wrong—

Ms Godwin: Not that I'm aware of. I'll check with my colleagues.

Senator FARRELL: So it seems to be working?

Ms Godwin: It seems to be working.

Senator FARRELL: That's good news. I've got a couple of questions about the former MP Clive Palmer and his failure to pay his debt to the Commonwealth despite being able to spend \$83 million on his election campaign. I refer to IPEA's FOI disclosure log, and specifically the response to an FOI request dated 20 October 2019, which details parliamentarians' outstanding debts. That disclosure log shows that the former member for Fairfax Clive Palmer owes an outstanding debt of \$6,713.15. That invoice was raised nearly four years ago, on 20 April 2016. You would be aware of media reports that Mr Palmer donated over \$83 million to himself yet seems to be unable to pay the outstanding debt of \$6,000 to the Commonwealth. There are a number of media reports that he cannot manage to pay his workers either. Can you advise what the outstanding debt is for?

Ms Godwin: I'll have to refer to my colleagues. I am certainly aware of the debt and I'm also aware of the FOI log and the amount that you have quoted; we match on that one. This particular debt was transferred to IPEA from MaPS when IPEA was created on 3 April. It is one of only two outstanding debts that we still carry from that period. We have an escalation process for debtors. That has escalation points at 30, 60 and 90 days. We then have the option of—

Senator FARRELL: This is way beyond that.

Ms Godwin: I totally agree with you. We have tried to make contact with Mr Palmer on numerous occasions and we have escalated this on numerous occasions. I will refer to my colleagues now. Mr Frost is the branch manager in charge of this area.

Mr Frost: You are correct; the debt is still outstanding with IPEA from Mr Palmer. The debt relates to previous arrangements with electorate staff travel.

Senator FARRELL: What attempts have you made to recover the debt?

Mr Frost: We go through a pretty normal debt recovery process, which is that we raise the debts in an invoice or a letter or an email accompanying. We'll do a reminder after a week or two, then another at 30 days, then another at 90 days and then another at 120 days.

Senator FARRELL: He seems to have ignored all of those so far.

Mr Frost: Then we have a process where we refer that to a debt collection agency.

Senator FARRELL: Is that the point it has got to at the moment?

Mr Frost: We have followed our debt recovery process, yes.

Senator FARRELL: Have you ever received a response from Mr Palmer?

Mr Frost: I would have to take that on notice.

Senator FARRELL: I assume the answer is that it has gone to a debt collector. Have you had any reports back from that debt collector as to whether they have had any success?

Mr Frost: The matter is still ongoing and there is still an outstanding debt.

Senator FARRELL: If, at the end of the day, that process fails, what options are left to IPEA to collect the money?

Mr Frost: In accordance with our debt collection process, there are avenues in the legal system we can pursue. That would be a matter for the CEO and members to determine.

Senator FARRELL: Thank you.

Senator RICE: I want to ask some questions about the recent procurement of new Comcars. I understand that the procurement was done via a contract with SG Fleet?

Mr De Silva: It is a lease arrangement.

Senator RICE: It was a lease arrangement organised through SG Fleet?

Mr De Silva: Correct.

Senator RICE: Was it an open tender for SG Fleet to have that lease arrangement?

Mr De Silva: There was a procurement to engage SG Fleet, and it is an ongoing contract with SG Fleet. The lease arrangement is just part of the contract. They are the Australian government provider. We went through them with respect to the new Comcar fleet.

Senator RICE: So they are organising the lease of the new Comcars?

Mr De Silva: Correct.

Senator RICE: Can you talk me through the assessment process in choosing which cars we have now ended up with?

Mr De Silva: I can. We did a desktop analysis of a number of cars. We had discussions with SG Fleet about a range of those. We also—

Senator RICE: How many cars were included in that desktop analysis?

Mr De Silva: It was 18.

Senator RICE: What information did you seek as part of that desktop analysis?

Mr De Silva: It was getting an indication of the likely lease costs, resale value, fuel economy, whether it would be fit for purpose for a Comcar, particularly in terms of size et cetera. Based on that we chose seven cars to run a more detailed trial. Based on that trial we did an assessment against the Australian government Fleet Vehicle Selection Policy and made a recommendation to government.

Senator RICE: What was the further information you sought at the second stage, when you got down to seven?

Mr De Silva: There was both an off-road trial and an on-road trial. The off-road trial was for a couple of days in Canberra to test a range of factors and the on-road trial, with clients, occurred in January-February last year in both Melbourne and Sydney.

Senator RICE: Was any test driving undertaken during the first stage, or was that just desktop?

Mr De Silva: There was test driving of a couple of cars in the first stage.

Senator RICE: Which cars did you test drive at the first stage?

Mr De Silva: I think they were the Tesla models.

Senator RICE: Which Tesla models were they?

Mr De Silva: It was the model S and the model X.

Senator RICE: Not the model 3?

Mr De Silva: No.

Senator RICE: Was there a reason that the model 3 wasn't considered?

Mr Heaver: My recollection is that, at the time, the model 3 wasn't available for testing.

Senator RICE: Actually, that is a relevant thing. What was the time period that the various stages were undertaken? When did stage 1 begin and end, and then stage 2 begin and end?

Mr De Silva: We started looking at a range of cars in 2017-18; that is when we did the desktop process. I would need to double check the exact dates, but in probably early 2018 we did a more thorough analysis with SG Fleet to have a look at, if we took these cars, what would be the likely lease costs, fuel economy, the ability to service them, et cetera. Based on that, we did a recommendation to choose the seven cars that went into a more detailed trial; that occurred, I think, in mid-2018, and the trial occurred in early 2019.

Senator RICE: Do you know when Tesla model 3 was available?

Mr Heaver: Sorry, I will have to take that on notice. I'm not 100 per cent sure.

Senator RICE: So we had the Tesla S and Tesla X considered as part of the desktop analysis. What factors ruled them out? Why didn't they make it through to the shortlist of seven?

Mr De Silva: We assessed each car against the selection policy, the Australian government Fleet Vehicle Selection Policy. That basically says that they must have a five-star ANCAP rating, have minimum fit-for-purpose requirements, provide value for money and address environmental considerations. We assessed each car against that criteria, and, based on that, we determined the seven cars that we would trial.

Senator RICE: So it was five-star ANCAP rating, fit-for-purpose, value for money and environmental considerations. Can you tell me where those two Teslas didn't stack up against those criteria?

Mr De Silva: I would need to take that on notice as to the precise details. There may be commercial-in-confidence issues that arise there, but I am happy to take it on notice.

Senator RICE: Commercial-in-confidence from whom?

Mr De Silva: In terms of price.

Senator Cormann: I think the officer has been very helpful, and we are taking it on notice in order to ensure we can make a considered judgement on how much further information we can provide without breaching the commercial interests of the companies involved.

Senator RICE: Thanks, Minister. I understand there may be commercial in terms of the cost of them. What I want to know is: was it cost, was it size or was it fit-for-purpose? What were the criteria that meant they missed out?

Mr De Silva: Happy to take it on notice.

Senator RICE: In terms of value for money and measuring costs, how did you measure value for money?

Mr De Silva: It would go to the total cost of the lease over the life of the car.

Senator RICE: So it factors in the maintenance and fuel over the period of time that the car will be in the fleet?

Mr De Silva: Correct.

Senator RICE: What is the period of time?

Mr De Silva: Three years. And the lease takes into account mileage, the likely resale, maintenance and cost of fuel.

Senator RICE: In assessing those four factors, are they all given equal weighting in the assessment or are some of them considered more significant than others?

Mr De Silva: I wouldn't say that it's done on a numerical basis. They're just factors that are taken into account.

Senator RICE: How do you weight the environmental performance, for example, against the other factors—fit for purpose, value for money, safety ratings?

Mr De Silva: It would be a factor that is taken into account, but I'm not saying that each one was given a particular weighting.

Senator RICE: What's the assessment process then, if they're not given a particular weighting?

Mr De Silva: It would be going through each of the cars to assess them for fitness of purpose—what space they have, capacity, leg room et cetera; for value for money, total lease costs. In terms of the environment, it would look at things like the fuel efficiency but also emissions.

Senator RICE: I understand that. You've got this whole range of factors, so, if one car is scoring highly on a couple of factors but not as highly on the others vis-a-vis other ones that have scored highly on some factors and not the others, how do you make the judgement? Are some considered more important than others so that, if they score particularly highly on value for money, for example, that's an overriding factor? Are they weighted differently or are each of those four factors weighted the same?

Mr De Silva: I'll take that on notice in terms of the exact—

Senator RICE: If you could take on notice what criteria are used in making that consideration, that would be very useful for me.

Mr De Silva: Sure.

Senator RICE: Was there any consideration given to the value of having electric vehicles in fleets in order to then have a steady supply of second-hand electric vehicles available in the market?

Mr De Silva: The factors taken into account, as I stated prior, were the four factors that are set out in the policy. And quite often, from a resale point of view, we'd have a look at: are these cars likely to be easy to resell at the end?

Senator RICE: In terms of encouraging the uptake of electric vehicles, there is a lot of emphasis being given to the importance of having electric vehicles in fleets, because it then gives you a steady supply of more affordable second-hand vehicles in the market. Was that a factor that was taken into consideration at all?

Mr De Silva: In the combined fleet we actually have hybrids, so we've got the Toyota Camry Hybrid—

Senator RICE: That's not my question. The question is this. In terms of encouraging the use of electric vehicles in the Australian market, one way of facilitating that to occur is to

have a steady supply of second-hand vehicles, through having had electric vehicles in fleets. That's something that government procurement policy is capable of doing. For example, they're doing that in the ACT at the moment—so that it will enable them to have a steady supply of second-hand and more affordable electric vehicles. But what I hear you saying is that that wasn't a criterion or wasn't taken into account in the selection process.

Senator Cormann: Environmental considerations were taken into account, and the two vehicles selected were the two most environmentally efficient. If you compare the Toyota Camry Hybrid sedan to the BMW 6 series GT sedan, based on CO2 emissions, gram per kilometre, they both come in at 125, which is the equal lowest and substantially lower than the carbon footprint of the current fleet. The two vehicles that were selected have the same carbon footprint per kilometre travelled.

Senator RICE: But, with respect, Minister, they haven't got a lower carbon footprint than the all-electric vehicles that were being considered.

Senator Cormann: But there are a whole range of considerations that you've got to take, including fit for purpose.

Senator RICE: They've taken on notice supplying me with the list of all of those considerations, which I'm looking forward to receiving. Given that there are other electric vehicles that are coming into the market—and we've talked about the fact that the Model 3 Tesla is now available but wasn't considered because of timing—will there be an opportunity for those to be considered at any stage in the near future?

Mr De Silva: We're just about to roll out the new fleet now. The fleet will be leased for three years, and that's the length of time that this fleet will operate for.

Senator RICE: So there would be the potential to be going through this process in three years time?

Mr De Silva: In three years time, there'll be a new process.

Senator RICE: My final question is to you, Minister. My Comcar driver told me the other day that the colour of the cars was chosen by you personally. Is that rumour that is circulating true?

Senator Cormann: I take responsibility for that. Yes, it's my judgement. The white colour, in my mind, reflects a bit of a colonial past that we've moved on from, and I think the colour chosen for the Comcars is a better reflection of a modern forward-looking Australia.

Senator RICE: My driver was complaining that it's very hard to keep them looking clean. Thank you.

CHAIR: Thank you, Senator Rice. Senator Ayres.

Senator AYRES: I have a couple of questions for the authority about special-purpose aircraft. The use of special-purpose aircraft is covered by the Parliamentary Business Resources Framework, isn't it?

Ms Godwin: I'm actually going to defer at this point to my colleague about special-purpose aircraft. We don't actually report on special-purpose aircraft.

Ms Gartmann: The Parliamentary Business Resources Scheme and the authority cover all expenses that are provided under part 3 of the Parliamentary Business Resources Act. So what

that means in relation to your question is that, where a special-purpose aircraft is provided under that provision, it would be subject to the rules of the parliamentary authority.

Senator AYRES: The overwhelming question here is that there's a dominant purpose test—that is, it must be for the purpose of parliamentary business and represent value for money; is that correct?

Ms Gartmann: Correct.

Senator AYRES: Does value for money include consideration of whether a commercial flight is available?

Ms Gartmann: It would.

Senator AYRES: There was a report in *The New Daily* on 28 January 2020 about Senator McKenzie, who apparently took a special-purpose flight from Adelaide to Busselton in Western Australia, at a total cost of \$40,230. The purpose of the travel, apparently, was to attend the Western Australian National Party conference and a shooters expo. Has the authority undertaken any investigation into Senator McKenzie's use of the aircraft on, I think, 12 October 2018?

Ms Gartmann: We follow a protocol that sets out when the authority will look at an issue and also an escalation process. So we may take a preliminary look at an issue but not necessarily turn that into a full published audit. In relation to articles in the media that allege misuse, as a general rule, IPEA would look at the circumstances surrounding that.

Senator AYRES: Did the authority undertake any investigation into that?

Ms Gartmann: IPEA generally doesn't comment on matters that are or are not under investigation, for fear that it may prejudice either the rights of individuals involved, particularly their rights to privacy, or the outcome of the investigation.

Senator Cormann: And that is an entirely non-partisan, neutral approach across the board. Everybody is treated the same and for good reason.

Senator AYRES: There is a line of questioning here I want to follow through. It does just seem extraordinary—not your answer—

Ms Gartmann: Thank you.

Senator AYRES: but the arrangement itself. So you're not in a position to say whether IPEA is satisfied that \$40,000 on that flight was parliamentary business?

Ms Gartmann: I'm not, but I would say that, in those circumstances, we would look at a range of factors. The availability of a commercial flight alone is not determinative, although it would go towards it. We look at the parliamentarian's time, the meetings they have on, and whether or not they need to arrive somewhere and walk straight into a meeting. So there are a range of factors that go towards that.

Senator AYRES: The Home Affairs minister charged taxpayers \$100,000 for one of those flights to fly to Sri Lanka so he could make it back to Australia in time for a meeting that apparently never occurred, according to *The Daily Telegraph*. So that goes to the question, does it, of both value for money and the availability of commercial flights being considered in the context of—

Senator Cormann: It doesn't go to that question.

Senator AYRES: I'm just trying to work out—

Senator Cormann: The question is what the purpose was when—

Senator AYRES: Let me ask the question. You're running interference—

Senator Cormann: No, I'm not running interference. I'm answering your the question.

Senator AYRES: on what you think might be about to be asked.

Senator Cormann: No, that's—

Senator AYRES: I just want to understand the decision-making paradigm that the authority works in. For that particular flight, the questions are on if there is value for money, if a commercial flight is available, if there are some other practical reasons why a meeting needs to be held or if there is there some other purpose. Those are the sorts of things you would consider, aren't they?

Senator Cormann: The officer has already told you that they're not commenting on specific instances. They're making—

Senator AYRES: Yes, I'm asking about—

Senator Cormann: In general—

Senator AYRES: There are a range of instances: \$40,000 for a flight to Western Australia; \$100,000 for a flight to Sri Lanka—

Senator Cormann: I think you'll—

Senator AYRES: That's the kind of—

Senator Cormann: find that during your period in government, the then Treasurer Wayne Swan took a VIP aircraft from Brisbane to Melbourne to attend the grand final. So let's not go down this pathway. The rules are very clear. Of course, the flight has to be for the predominant purpose of your responsibility as a minister, and it's got to be in the circumstances where there are not appropriate commercial alternatives available. Given that you raise me in relation to a flight to Western Australia, let me say that I have been, on occasion, reviewed in relation to these matters, but—

Senator AYRES: No, it was in relation to Senator McKenzie. I haven't raised anything in relation to you. It was in relation to Minister McKenzie.

Senator Cormann: I've also, on occasion, used the VIP service in appropriate circumstances. Let me share with you that I was audited, subsequent to that, and the Independent Parliamentary Expenses Authority has confirmed that the use of a special-purpose aircraft was within the rules in those circumstances.

Senator AYRES: If I had questions about you, I'd direct them to you. I don't have questions about your travel. It might assist me and the committee if, on notice, in relation to those two questions that I've just asked, you are able to provide me with the information I've asked for to the extent that you're able to and also set out, in writing, that general point—that is, on what basis IPEA would make a determination in relation to those two issues. I have a few more questions not in relation to special-purpose flights. There was a report in *The Courier-Mail* on 12 February that claimed that the National Party was going to have a party room meeting that coincided with the Nationals' 100th anniversary celebrations. Did the

Deputy Prime Minister's office or anybody else in the parliament seek advice regarding travel for MPs and senators to attend that function?

Ms Godwin: I'm certainly aware of that media article, and there was advice sought of IPEA. Christina Grant, who is the branch manager in charge of the advice area, has joined us at the table and will be in a position to provide you with some more information about that particular issue. Can I caveat that, again, we don't usually talk about individual cases, but we're happy to talk you through the processes that we would go through in that particular circumstance.

Senator AYRES: So advice was sought and it was provided?

Ms Grant: Generally, as Ms Godwin has pointed out, IPEA does not publicly advise on whether we've received requests for advice or what advice we've provided. That's our general policy. In general terms, I think there was a fair bit of media in which the National Party themselves had released elements of advice publicly in this circumstance.

Senator AYRES: It's publicly available that advice was sought. Did it say that it considered that the dominant purpose was travel for parliamentary business?

Ms Grant: As a general rule, perhaps it would be better if we talked about advice for party political activities. It's not uncommon for IPEA to receive requests for advice on party political activities. This is obviously something that happens from time to time. In that circumstance, we would consider schedule 3 of the parliamentary business resources determination, which sets out what the requirements are for party political activities. We may ask for additional information from the clients or even from the party whip as to whether, under their constitution, this was considered to be a formal meeting of the political party. We would take that into account in the advice we provided. If it was a formal meeting of the political party, we would provide advice accordingly.

Senator AYRES: I don't have anything further on that.

Senator FARRELL: My questions relate to the documentation provided at the start of this section. I note that the staffing figures relate to 1 February 2020. That predates, obviously, two very significant changes of personnel—

Mr De Silva: Yes.

Senator FARRELL: in that Senator McKenzie resigned and Senator Canavan resigned. I note that this time last year, when estimates were on 4 April, we got a report up to 1 April. Is it possible that we could get an updated figure up to 1 March 2020—in other words, the most recent figures? Would we be able to get that?

Mr De Silva: I'd be happy to take that on notice.

Senator FARRELL: Alright. One last question. I refer to the answer to question on notice No. 23 from the estimates hearing in April 2019 in which a breakdown of the then 42 staff paid above the band was provided. The breakdown showed how many classifications staff were paid above their substantive classification. Can you please provide the same breakdown for the current staff paid above the band?

Mr De Silva: I'd be happy to take that on notice as well.

Senator FARRELL: I don't have any further questions. Thanks, chair.

CHAIR: Thank you. If there are no further questions under outcome 3 or to IPEA, I thank you all very much for your attendance and your evidence here today, including the minister, who will now depart. We will have a short break while Minister Seselja joins us.

Proceedings suspended from 17:07 to 17:13

Department of Finance

CHAIR: The committee will now resume its examination of outcome 2. I welcome back the Assistant Minister for Finance, Charities and Electoral Matters, Senator the Hon. Zed Seselja. We're examining the parts of program 2 which lie under his responsibilities.

Senator AYRES: I know that some of these questions will crossover the two ministers, and I understand that we're going to try and do our best to deal with that. I know Senator Scarr asked some questions about e-invoices and the five-day payment. I have some follow-up questions about that. What's the time line across the agencies and departments for universally being able to accept e-invoices?

Ms Huxtable: That crosses a number of areas.

Mr Jagers: As the Secretary outlined earlier, we've updated the policy around invoicing to provide for electronic invoices, where that's possible and where the provider of the service and the invoicer have the capacity for e-invoicing. There is a five-day payment term. I think the Secretary mentioned earlier that there were two shared service provider hubs that have been enabled to produce e-invoicing capability to their clients from 1 January. I might hand over to my colleague.

Ms Bruinsma: The implementation and uptake across the Commonwealth and across agencies is being managed, from a policy sense, through Treasury, and then the ATO has the implementation strategy. In addition to the two agencies that are currently capable of e-invoicing—they're e-invoicing enabled—there are a number of other agencies who are in the process of becoming e-invoicing enabled. For example—and it would be best to check with the ATO and these agencies—the Australian Taxation Office and the Department of Education, Skills and Employment have plans in place to become e-invoicing enabled.

Senator AYRES: Is there an expectation that it will be universal by a particular date? Is it likely to be concluded by the end of 2020?

Ms Bruinsma: That would probably be a matter for the ATO.

Senator AYRES: How many invoices have been received and how many have been paid across the number of—what did you call them?—service hubs?

Ms Bruinsma: Services Australia and the Service Delivery Office are shared services hubs, although Services Australia, in its own right, is an agency. They can receive and send e-invoices now. We can certainly answer the SDO question, but Services Australia would need to take on board how many invoices they're receiving.

Senator AYRES: If there are going to be questions about accountability for the number of invoices in and the number paid and where there are disputes, aggregate figures are really from the ATO and Treasury.

Ms Bruinsma: That's correct.

Mr Hunt: Your question goes to compliance with the payments policy. The department with responsibility for small business, which is now Industry, does a survey of compliance with our payments policy every year. With the five-day e-invoicing payment terms coming into effect from 1 January this year, the next survey they do will cover compliance across the service with those time frames.

Senator AYRES: So you can't provide me with any figures about the amount of interest that's being paid for late payments or with any of that sort of material?

Mr Hunt: It's not something that finance collect. No.

Senator AYRES: I have some questions about the debt waiver and housing debt. Has Finance or the minister received any representation from the ACT government about the waiving of its housing debt?

Perhaps if I start with the department.

Unidentified speaker: No.

Senator AYRES: What about you, Minister.

Senator Seselja: No—I think the Prime Minister has received a request—I am aware from the ACT government. Let me just check.

Senator AYRES: I think perhaps the Treasurer as well.

Senator Seselja: I have for the ACT—there have been requests from the Chief Minister to the Prime Minister and then to the Treasurer, and to the Assistant Treasurer and Minister for Housing.

Senator AYRES: Any response from the government that you are aware of?

Senator Seselja: I don't have any visibility on that. As you would be aware—and I had this discussion with Senator Gallagher last time—obviously when it came to the housing debt waiver in Tasmania that was a decision made—there were obviously discussions at a whole-of-government level or a more senior level. But obviously there have been representations, I think, from a number of states, I understand. But that's not a matter that's come before me. Obviously that would be a decision that is taken either at the prime ministerial level or the Treasurer's level, if they were to go down that path.

Mr Jagers: I think the Treasury is responsible for this area in relation to intergovernmental agreements on federal financial relations. So, questions are probably best put to the Treasury.

Senator AYRES: Because you are a resident of the great territory here, you're not in a position to answer any of those questions?

Senator Seselja: I would love to answer questions as a senator for the ACT, but that is not the position in which I appear at estimates today.

Senator AYRES: You haven't made any representations yourself?

Senator Seselja: In ministerial roles, nothing has come to me, in terms of discussions. As a senator, that is a different matter. But in the end, the ACT government has a range of issues that you and I could debate, but I would be doing that in my capacity as a senator for the ACT, and I don't know that that would be the best use of the committee's time.

Senator AYRES: It could be entertaining!

Senator Seselja: It could be entertaining. I could point out their failings. It might be entertaining for us, but perhaps not for—

CHAIR: Thank you for your restraint, Senator Seselja. It is much appreciated.

Senator AYRES: Minister Cormann didn't need any invitation to do similar things earlier on. You're being very restrained.

CHAIR: Maybe you are just being provocative—!

Senator AYRES: So there is nothing from you about other jurisdictions that may have been in touch with the government about these questions? Is Finance in a position to be able to say what the housing debt in is in each of the states and territories?

Senator Seselja: That's not a matter, I don't think, for Finance.

Ms Huxtable: Really, it is the Treasurer, not us. If you are here on Thursday I am sure they can help you with that.

Senator AYRES: I want to go to procurement changes. On 2 March 2020, the Prime Minister said, 'We will be changing the Commonwealth procurement guidelines to make sure every procurement undertaken by a Commonwealth agency considers environmental sustainability and use of recycled content as a factor in determining value for money. We have used Commonwealth procurement policy to energise our Indigenous businesses and had tremendous success, and will do the same with Australian recycled product.' When was Finance made aware that there was an intention to announce that?

Mr Jagers: Finance has been providing assistance to a number of agencies that have been working on policy positions around sustainable procurement, and a range of other measures, for some months. I don't have the exact date of when we started working on a range of possible responses.

Senator AYRES: Working with particular departments and agencies on their approach to this set of issues?

Mr Jagers: We have been working with the Department of Agriculture, Water and the Environment. I think a range of other agencies have been working on possible measures in relation to procurement. We have been engaged in discussions about potential changes to the Commonwealth procurement rules.

Senator AYRES: But in relation to this announcement yesterday, when did Finance become aware that the announcement was going to be made?

Mr Hunt: Over the weekend, I think.

Senator AYRES: What was the genesis of it? Did it come from the Prime Minister's office originally? Or has Finance been working with, at the very least, Ag, Water and the Environment? What is the genesis of this?

Mr Jagers: The government has been—

Senator AYRES: It might have been your idea, Mr Jagers. Has it come from government or has it come from the Prime Minister's office, or where has the idea come from?

Mr Jagers: There has been a working group of government officials that have been working on a range of policy responses and this is one of those potential policy responses that has been considered by government, and now announced by the Prime Minister.

Senator AYRES: Did Finance provide advice to the minister about this announcement?

Mr Hunt: It was not specifically about the announcements. As I said, we were made aware of that over the weekend but we didn't brief or consult with the minister on the announcement. This was something that the Prime Minister was doing and putting together.

Ms Huxtable: But there has been engagement with the minister and the minister's office in the course of the policy work that has been under way in this area, and that has been, as Mr Jagers said, going on for some months.

Senator AYRES: So who from the department has been engaged in this working group? Is it one of you two?

Mr Hunt: Both Mr Jagers and I have participated in that work. There has been some work being done for a number of months. I think we started doing some initial work on this late last year. So there have been a number of people involved in the department.

Senator AYRES: So let's start with the Department of Agriculture, Water and the Environment. What does it practically mean in terms of its procurement processes? Can you give me an example of a procurement?

Mr Hunt: I can't speak for Agriculture's procurement explicitly, but the changes we are anticipating go to the Commonwealth procurement rules, which we are responsible for, and then a policy document that Agriculture, Water and the Environment have which is called the *Sustainable Procurement Guide*. We talked earlier about value for money and that being quite a complicated concept in Commonwealth procurement, and the change we are making essentially requires, where it is relevant, agencies doing a procurement to consider the *Sustainable Procurement Guide* in the context of determining value for money, so that includes considering the use of recycled materials or waste reduction in the context of the procurement and building that into their determination of value for money.

Senator AYRES: So, what, recycled paper for the offices? What sort of procurements are we—I am just trying to—

Mr Hunt: I mean, of the procurements we are responsible for in Finance, one of those is an overarching, whole-of-government procurement for stationary and office supplies, and we are certainly considering in the context the extent to which we can drive a greater use of recycled paper under that arrangement. So that is one example.

Senator AYRES: I am not sure whether you are in a position to answer this but can you, on notice, outline the specific changes to the framework that are required to implement the announcement?

Mr Hunt: Most of the work will be in the Agriculture, Water and Environment's *Sustainable Procurement Guide*, and they can probably provide you with the relevant information about what they are doing in that space.

Senator AYRES: I am just trying to understand—have the changes been made to the procurement framework or has the announcement come first?

Ms Huxtable: I think the Prime Minister in the announcement said—I don't have it in front of me—that his intention was to strengthen the Commonwealth procurement guidelines to, you know, make sure every procurement undertaken by Commonwealth agencies considers environmental sustainability. So the amendment of the Commonwealth procurement guidelines is what the Prime Minister announced. In our role, with responsibility

for the Commonwealth procurement guidelines, our next body of work is to ensure that those amendments are now made.

Senator AYRES: So did the announcement come with some absolute clarity that these are the changes that are being made or is it left to you to figure out what are the necessary changes to the procurement guidelines that need to be made to give effect to the Prime Minister's announcement?

Mr Hunt: We will be finalising those changes and implementing them in the next update to the Commonwealth procurement rules.

Senator AYRES: It is sort of announce first, ask questions later. I appreciate you have done work in that area.

Ms Huxtable: Sorry, this was the announcement of a decision in respect of policy work that was undertaken. We were involved in the development of that policy work. The government have made decisions in respect of this element. They have made an announcement in respect of this element and, at the next available opportunity, the procurement rules will be updated to reflect that intention.

Senator AYRES: So there is a little bit of work to do to backfill the gap between the work that has been done. The announcement is sort of there. There is a bit of work to do, is it fair to say, to give effect to the announcement and draft the amendments to the guidelines or are the amendments to the guidelines already ready to go?

Mr Hunt: The Commonwealth procurement rules, which we are responsible for, are an instrument issued by the minister under the Public Governance, Performance and Accountability Act. So there is a process to go through for that instrument to be prepared and tabled. We do not do it lightly and there are a range of other minor changes we are looking at to the procurement rules and we would roll those in together and do it in one go.

Senator AYRES: So you're not in a position, on notice at this stage, to table a schedule of what those changes will be? I do not want to ask you to do something you cannot do.

Ms Huxtable: We can take it on notice and by the time the questions on notice are due to be tabled, we may well be in a position to provide you with the information, so we will do best efforts to have that available for the committee.

Senator AYRES: There was a review into the Lands Acquisition Act released earlier in the year. Can you just take me through some of the feedback, comments or suggestions provided to the department. How long has the review been out there? For a month?

Mr Jagers: The review was announced by the minister on 13 January. We are still in the submission phase. We released a discussion paper at the time of the minister's announcement and we are currently open for submissions to be made, and that period has not closed yet. We can give you more details on the process.

Ms Johnson: The submissions process will be open until 17 April. We are also doing work with stakeholders who have been involved in current claims at the moment, reaching out to them and seeking advice and input to the submission process from them.

Senator AYRES: When does it close off?

Ms Johnson: The submissions process will be open until 17 April.

Senator AYRES: You have not got much to say about what kind of feedback you are getting?

Ms Johnson: Not at this stage. We are expecting a response, I think, to the principles that are guiding the review, and those principles are equity and fairness, timeliness, transparency and value for money. We think that it's been 30 years since the legislation was last reviewed, and community expectations of response times from government have potentially changed, so it's certainly the government's objective to achieve a streamlined and efficient framework while also balancing and protecting the rights of Australians. That will be really important in receiving that information through the submissions.

Senator AYRES: There are 12 questions in the discussion paper. Have you been considering those actively within the department prior to the issuing of the discussion paper?

Ms Johnson: I think it's fair to say that, in terms of our due diligence on the legislation and our experience in managing claims and also in working through the claims process with both the department of infrastructure and the Department of Defence, some of those issues are considerations that we would be interested in receiving stakeholder feedback on. We're also mindful that, during the 30 years, state and territory governments have made a number of substantial changes to their own acquisition legislation, and sometimes the legislation doesn't really support the Commonwealth legislation.

Senator AYRES: Will there be an interim report issued? What's the timetable for the department's consideration?

Ms Johnson: Following the submission process, we're aiming to provide a report to the steering committee for their consideration. We would then provide briefing to government, we would hope, by midyear, and we would then provide the briefing to the minister for his consideration. Obviously, if there are any legislative changes that need to be made, we need to move through that process. If there are administrative changes, they're much simpler to implement.

Senator AYRES: Will the final report be public, or is this going to be a brief for the minister? How is this going to work?

Ms Johnson: I think that would be a decision for the minister. Most of the submissions, though, can be made public. They're available on a website. If an individual is concerned about having their submission made public, they can seek to have it made anonymous.

Senator AYRES: But whether the report that the department puts together is public is a matter for the minister? How is that going to work? Has it been determined yet?

Ms Huxtable: Normally in these circumstances, because the report is for the purpose of advising government in respect of potential action in this area, I think that, when we provide the report to government and they come to a view about their response to recommendations, at that point it's really a decision for the minister as to whether they wish to make the report public or whether they wish to make it part of an announcement about potential actions coming out of the review. So I don't think we can really pre-empt that decision at this point in time.

Senator AYRES: Okay, so it depends.

Ms Huxtable: Yes.

Senator AYRES: I'm just going to organise my papers a bit if that's alright.

Senator GALLAGHER: If it's okay, we can have a chat about where you got to, because I have some questions. I just want to make sure you haven't asked them.

CHAIR: While you confer, I'll offer the call to Senator O'Sullivan.

Senator O'SULLIVAN: Thank you. I've just got some questions with regard to procurement. My question goes to the guidelines. I'm interested to know if there is any work being done, or if there are already procedures in place, around ensuring that we're getting local industry participation through the procurement.

Mr Jagers: I will ask Mr Hunt to address your question.

Mr Hunt: There are a couple of elements to that. In achieving value for money, which is the core rule of the Commonwealth procurement rules, the rules are very clear that value for money isn't based on price alone. It requires the consideration of a broad range of relevant financial and non-financial costs and benefits, including relevant government policies. Where local capability is an essential consideration in determining value for money, there are a couple of ways that that can be factored in. One of those is under paragraph 4.7 of the Commonwealth Procurement Rules, which require that, where a procurement over the value of \$4 million is conducted, the officials conducting that procurement are required to explicitly consider the economic benefit of the proposals that are submitted in the context of determining value for money. So that allows consideration of local engagement, where it's important, local economic development, transfer of skills and capabilities to local SMEs. That allows any of those factors, if they're relevant to the procurement, to be factored into the consideration of value for money.

Senator O'SULLIVAN: That goes to once the procurement has been put out there and the assessment of proposals that have come in. What about in the actual design of the bundle of services being procured? I've had representations made to me that sometimes midtier organisations are not able to adequately compete for some of the big projects. This probably goes to infrastructure mainly, which I accept is often dealt with by the state governments, but it precludes midtier companies from being able to tender for those programs, because they don't necessarily have the scale. Is there thought to the design of the package?

Mr Hunt: There is. I can't speak about specific procurements, and you're absolutely right that most of the significant infrastructure procurement is done by state governments, who obviously don't come under our rules. But, under the Commonwealth Procurement Rules, which we're responsible for, there are some very specific requirements that agencies actually think about the scale and the size of the procurement. Paragraph 5.2 says:

Participation in *procurement* imposes costs on *relevant entities* and *potential suppliers*. Those costs should be considered when designing a process that is commensurate with the scale, scope and risk of the proposed *procurement*.

It goes on to say that procurements shouldn't be designed so that they're unnecessarily onerous and, specifically, that the benefits of having small and medium enterprises participate are considered in designing those procurements. So the rules really do put the onus on agencies and officials to think about these factors when they're putting their procurement processes together.

Senator O'SULLIVAN: So is that a function of Department of Finance or is there an educational factor that's working across departments as well to ensure that, in the design of these programs, that is considered?

Mr Hunt: We do quite a lot of work with agencies to make them aware of the procurement rules and of what their obligations are and how to meet those obligations. We've recently established a Centre of Procurement Excellence, and part of that is about changing our traditional internal rules based compliance focus and being much more proactive and engaged with agencies and also with the business community more as partners in how we do this. So we have a number of initiatives as a community of practice that we're building. We have regular events. We try and identify better practice and share it where we come across it. We're building a set of case studies on our website to showcase better practice—particularly better practice in the engagement of SMEs. So we are doing quite a lot to reach out to agencies. The obligation for following the rules and determining value for money sits with the agencies, but we're very much trying to partner with them and, where we can, help them understand the considerations they need to take into account.

Ms Huxtable: We've also recently established procurement excellence awards across the Commonwealth. We had the first of those in, I think, November of last year, but there are a number of categories in those awards, including engaging with SMEs. So we're doing as much positive promotion of the guidelines as we can and developing that expertise that Mr Hunt talked about. We've also established a procurement roundtable which I chair and which has a number of other secretaries on it. The predominant purpose is to actually engage with business, so we have the Business Council, Kate Carnell and small business organisations who come into that group. It's not about individual procurements. It's really about that strategic engagement and being able to do collaborative work around some of the challenges that they perceive around procurement. It's a two-way continuous improvement environment in which we're working.

Senator O'SULLIVAN: On the matter that I raised as a caveat at the beginning of my question with regard to the states, how do we address an issue that is really across all states and jurisdictions with regard to best practice in procurement and ensuring that midtier companies—particularly construction companies—aren't missing out on the opportunities that have been created through some of the big infrastructure funding projects that the federal government is providing the bulk of the funding for?

Mr Hunt: There are a number of things going on. I do understand that there's some work going on through Infrastructure, through COAG, on infrastructure procurement, but, in Finance, we participate on something called the Australasian Procurement and Construction Council. We can't directly influence them the way we can influence Commonwealth agencies, but that's very much about getting procurement officials from all of the jurisdictions together. We meet relatively regularly. I think Mr Bourne was at a meeting of the APCC last week. So that is a mechanism for those different jurisdictions who all have their own rules and their own frameworks to come together and talk about common issues and some of the common challenges we face. Engaging with SMEs is one of the issues that does come up in that context.

Senator GALLAGHER: Can I ask some questions about the ASL offset rule?

Ms Huxtable: That's outcome 1.

Senator GALLAGHER: So it doesn't fit under outcome 2 at all? This is the real problem, Chair, with the split-up of the program. I still have quite a bit in outcome 1. Prior to these roles being separate, we used to have outcomes 1 and 2 together and then we would move to outcome 3. What's happening now is we've had to move off outcome 1—

CHAIR: That's not my memory, Senator Gallagher. I could be wrong and I'll—

Senator GALLAGHER: It was certainly my memory that, when I first sat on this committee, we dealt with Finance in a chunk and then we'd go to the AEC. You just dealt with Finance in a chunk. You didn't jump to IPEA and—

CHAIR: I certainly appreciate that the division of responsibilities between Senator Cormann and Senator Seselja has caused some ambiguity. My understanding is Finance has kept any relevant officials here to assist you if need be, if you stray into that, but we did agree earlier today that outcome 1 could be dismissed—that there were no further questions.

Senator GALLAGHER: My feedback on the program would be: next time, keep outcomes 1 and 2 together, even if they have to stay later in the day, so we don't get into the position where some people have gone and we can't ask questions, just because we have had to break and go to IPEA and SMOS staff based on a minister's availability.

CHAIR: Although in this case we dismissed outcome 1 and then went to outcome 2 and then went to outcome 3, the shift to outcome 3 didn't make any difference to outcome 1; that had already been dismissed by agreement. Anyway, I take that feedback on board and I'm very happy to discuss it ahead of the next round of estimates.

Senator GALLAGHER: Thank you. Is the APS modernisation fund in outcome 2.2?

Ms Huxtable: Yes.

Senator GALLAGHER: Okay; we'll start there. Remind me: there was originally \$500 million for the modernisation fund?

Ms Huxtable: That's correct.

Senator GALLAGHER: Has that all been allocated to projects now? I think it was only meant to run for three years, so it must be almost up.

Ms Bruinsma: Yes, all the money has been allocated to projects. The projects finish on 30 June.

Senator GALLAGHER: Is there some reconciliation of that \$500 million somewhere? I know there have been updates of this through questions on notice.

Ms Bruinsma: We will be doing a final reconciliation over the next few months, as projects finish up. The last reporting we did was the last quarter of last year, which is probably not up-to-date. We actually have a request out at the moment for the next round of reporting.

Senator GALLAGHER: Is there any consideration of this continuing on?

Dr Helgeby: That's a matter for government. It's a decision that would be taken in the normal budget process, because it's an allocation of resources to a particular purpose.

Ms Huxtable: You are aware, and I think you noted at the beginning, that the announcement in 2017-18 made clear that it was a three-year allocation.

Senator GALLAGHER: Is there an evaluation being done of the program, to ascertain the success or otherwise of it?

Ms Bruinsma: We are seeking information from project owners; there are 42 projects across agencies across the Commonwealth. Each of those agencies is responsible for completing and looking at final project closure reports and benefits realisation. The Department of Finance will do a review of those projects. The sort of reporting we do is to look at what overall benefit is realised and deliverables achieved through the fund.

Senator GALLAGHER: Are there some projects that you can talk about that you believe are successful projects through the modernisation fund, where you got a good return on the investment?

Dr Helgeby: I might talk about a couple of things that are very close to home, in Finance. We implemented a budget workflow system which was to develop and implement an flexible, integrated budget workflow and decision-tracking system. It's still underway; that's helping to modernise some processes inside Finance. We have been working on our digital records management. We have been working on data across a lot of parts of government. In fact, probably the largest single allocation of resources out of what was called the \$350 million transformation and innovation stream—the modernisation fund was divided into two: \$350 million was directed to transformation and innovation and \$150 million was largely directed to small agencies, for sustainability reasons. The largest component of the transformation and innovation stream is a data based initiative covering many agencies. We are one of the agencies that is related to that.

We set up and now have running the Government Business Analytical Unit. It is taking new approaches to analysis and visualisation, to understand drivers of productivity or drivers of performance and improvement across the Public Service. In fact, the secretary, in her speech at IPAA last Friday, talked specifically about some of the work that that unit has done. In particular, what we have been able to do is really drill down, using data from the APS census, and get a handle on how much our performance varies at team level across the Public Service. One of the things we will be doing with that is taking advantage of that data to better understand how the Public Service can continue to improve. Those are just a few things in our little part of the world. As Ms Bruinsma said, we are going out to all of the project owners at the moment in a kind of reconciliation.

Senator GALLAGHER: When will those reconciliation or project closure reports be finalised or due?

Dr Helgeby: For most of the projects the funding ceases on 30 June, so it will be after that.

Senator GALLAGHER: Do they come back to Finance?

Ms Bruinsma: We get a report.

Senator GALLAGHER: You'll get the report. Do you set the deadline for that?

Ms Bruinsma: We do set the deadlines for reporting. I can't remember off the top of my head when we've asked for the latest reports back. I will have to take that on notice.

Senator GALLAGHER: But for the project closure reports—

Ms Bruinsma: The project closure reports will occur after 30 June so that agencies will have enough time to complete those projects.

Senator GALLAGHER: So the modernisation fund ceases to exist from 30 June onwards; is that right?

Ms Huxtable: I think the point to make in respect of the fund is: yes, the money that was allocated finishes—

Senator GALLAGHER: And was the \$500 million all allocated—to the dot?

Ms Huxtable: Yes. There have been times in the last three years where we have reviewed progress and there has been some reallocation of funding, because we wanted to make sure that all of the money was allocated. There were some projects, for example, where not as much funding was required to achieve the objective that was sought. I think one of our projects, the secure information sharing capability, was one that could have been done at a cheaper cost, so that money was returned to the pool rather than returned to us and then used for reallocation. So there were a number of points in the process when we did a rejig around some of that.

The point I'd make is that the intention of this funding was to enable innovation, with a view to entities being able to incorporate that innovation into their day-to-day work. For example, the shared budget workflow system, which has been a Finance initiative, has been very effective in automating parts of our behind-the-scenes management of the budget process. It has given us significant efficiencies; in fact it was used in the 2019-20 budget to compile some of the budget statements, and some of those statements that had previously taken 20 hours to compile were compiled in 30 minutes. So it has brought real efficiencies to us. We will definitely continue to invest in that shared budget workflow system.

Senator GALLAGHER: So, for ongoing costs, if there are ongoing costs attached to the project it's assumed that the agencies will pick up those costs, is it?

Ms Huxtable: I think each agency would need to come to a view about the way forward in respect of projects. It is going to vary. For example, the money in respect of shared services was to support agencies onboarding to service delivery office or other shared service hubs. Some of it was to help them get their business transactions and processes into a position where it was easier to onboard. So they all have slightly different purposes, but I can tell you that we in Finance are committed to continuing with two of the core ones: the budget workflow system and the Government Business Analytical Unit. In the case of the budget workflow system, there are clearly savings. If you can do things in a more efficient way, then that's freeing up time for staff to do other things. In the case of the Government Business Analytical Unit, it's really about a window into improving staff engagement, capacity to innovate, productivity, which itself drives better value. So they will all have different outcomes, and it will really be a matter for the owning entities to determine how they wish to take that forward, or whether it's appropriate, because some will end. The work will be done and they will end.

Ms Bruinsma: When we sought applications for those projects, it was clear that it was a one-off injection. So where there were projects that looked like they needed ongoing sustainability funding, those projects were generally not approved, because of the need for the agency to demonstrate that they could manage this within a one-off injection.

Senator GALLAGHER: I think you said earlier that the split was \$350 million for the bigger projects and \$150 million largely targeted at small agencies. Is that right?

Dr Helgeby: Yes.

Senator GALLAGHER: Did you say sustainability?

Dr Helgeby: Sustainability, yes.

Senator GALLAGHER: What do you mean by that?

Dr Helgeby: For example, they might have had a small capital need that they didn't have the ability to fund directly. That was the type of thing that was funded through those means. Again, because it is one-off funding, it was literally: is there an injection that could be usefully made into that organisation that would help it support itself into the future? I think there might have been some small IT components in that, but a lot of it was effectively small capital investments.

Senator GALLAGHER: This modernisation fund is linked to the efficiency dividend, so it's funded by the money you're taking from agencies and then the small agencies, by the sound of it, needed a bit of that back to deal with their business as usual?

Ms Huxtable: I'm not sure it was quite that line of sight. There was a decision to retain the efficiency dividend—

Ms Bruinsma: Reinvest.

Dr Helgeby: Yes, reinvest.

Ms Huxtable: So it was a reinvestment of a proportion of the efficiency dividend saving.

Senator GALLAGHER: But a one-off.

Ms Huxtable: But it was across the board. The across-the-board impact of the efficiency dividend was \$1.9 billion, and \$500 million was returned. Individual agencies would have received different amounts. I expect there would definitely be small agencies who would have received more than they lost through the efficiency dividend. So it wasn't—

Ms Bruinsma: One of the criteria was whole-of-government benefits, so we were looking for projects that would give back across to many agencies, not just one agency. That was mostly in the transformation stream. So, where a project was funded in the transformation stream, it was about creating whole-of-government benefits that could be spread across multiple agencies rather than just one agency.

Senator GALLAGHER: Is there a reconciliation of what agencies lost and then what they got back through the modernisation fund?

Ms Huxtable: I don't think that's the right way to frame it, in a sense. So there were decisions taken in respect of the efficiency dividend and then there was a reinvestment through the modernisation fund, but it wasn't an agency-on-agency decision. Ms Bruinsma is right, certainly in respect of the \$350 million. It was about how an amount of funding could support broader whole-of-government objectives. For example, I think the two biggest allocations, from memory, from the innovation fund, were investing in shared services and the data—

Dr Helgeby: The DIPA.

Ms Huxtable: The DIPA, the Data Integration Partnership for Australia. They were the two key things in the innovation stream, and there was a process, which I'm sure we've gone through before in this place. There was a steering committee that was basically established that the former Secretary of PM&C chaired. It went through all the applications and came up with the recommended projects. So the focus was very much on transformative investment in the public sector.

Senator GALLAGHER: I understand that. Could I, at least, have a reconciliation of what agencies received through the modernisation fund? I accept that you don't want to go and link it to the efficiency dividend, but what I'm asking is: who got what out of the \$500 million?

Ms Huxtable: I think we have provided a list of projects. We can direct you to where that's provided.

Senator GALLAGHER: If you have, that's fine. I've missed a couple of estimates. In terms of the priorities through the modernisation fund, it sounds like there was quite a bit of effort put into digital capability. The Thodey review found that there'd been a long-running underinvestment in the APS's people, capital and digital capability and that at least \$100 million a year in dedicated investments is likely to be necessary to rebuild APS performance and institutional capability. I guess my question is: now that the modernisation fund, which did have some funding attached to it, has finished, what is the government going to do to respond to the clear pressure there is for capital and, particularly, digital capability in the APS? It's probably a question for you, Minister.

Senator Seselja: Well, that will be a matter for government, so it's not going to be a question for me as such. But certainly the government looks at these priorities from time to time. In terms of a further response to the Thodey review, I might ask officials if there's anything to add.

Dr Helgeby: Senator, to the extent that your question goes to how government wishes to allocate resources in the future, that's clearly an outcome 1 question, and it's a question for government.

Senator GALLAGHER: Well, I'm just going to keep asking them, and you can keep saying that it's outcome 1. It's very frustrating. We're on the modernisation fund, and I think this is linked to the Thodey review's finding of what is needed around digital capability. I'm trying to understand what capacity there is now in programs to deal with that, now that the modernisation fund has finished. Where is that going to come from?

Ms Huxtable: I think the government has responded to the Thodey review. I think some of the things that were raised in the Thodey review are highly consistent with the directions that we have been taking in respect of a lot of what I'd call the enabling services of government: the shared service agenda, the grants hubs that we talked about earlier today and the work that we've done around workflows and census analysis. Through the budget process and decisions of government, there have been many decisions taken about investing in various ICT projects, and clearly government considers those as they come forward. We have certainly done our own work over the years around where there may be ICT proposals or gaps, but these then go through the normal budget process and get considered in the normal way. I understand that there is pressure everywhere around the level of ICT investment, and what goes hand in hand with that is really the capability around those developments. There

are significant workforce challenges in terms of developing these systems. We have experienced that ourselves in some of the work that we've been doing on things like PEMS and on what we call 'gov ERP'—the single digital platform for enterprise resource planning. These are really things that have to be dealt with in many places across government, not just in the Finance portfolio but also in the DTA. They do and have come forward to government and have been funded, and no doubt they will continue to come forward and will continue to be funded.

Senator GALLAGHER: Finance used to have quite a significant role in terms of whole-of-government ICT.

Ms Huxtable: Yes. Many years ago—in fact, probably before my time—we used to have what was called the AGIMO, the Australian Government Information Management Office. With the establishment of the Digital Transformation Office and then agency there are a number of functions that transferred out of Finance to the DTA, including the ICT procurement function and a number of other functions that were related to that work we used to do in the ICT space. So there was a significant transfer of our ASL and funding to the DTA.

We still retain an interest in ICT, particularly in an assurance perspective. We manage the gateway review process, which provides advice to senior responsible officers of complex ICT projects, and clearly we are providing advice to government when proposals come forward to budget. But a lot of the other work transferred to the DTA.

Senator GALLAGHER: Ms Huxtable, you're on the Secretaries Board, aren't you?

Ms Huxtable: Yes.

Senator GALLAGHER: That's where the Thodey review and its recommendation was referred to, I think—was it?—for our implementation plan.

Ms Huxtable: Yes, that's right.

Senator GALLAGHER: Presumably a lot of this is being considered by secretaries, in terms of advice back to government, about how to deal with challenges particularly around reform and digital capability that Thodey found. I think a sleeper in that is around capital, the fact that capital is not provided to agencies. Is it?

Ms Huxtable: They do. There are departmental capital budgets.

Senator GALLAGHER: But there's not a recurrent sort of—what would we call it?

Ms Huxtable: Depreciation.

Senator GALLAGHER: Yes, to meet their ongoing capital needs. There isn't that funding provided to agencies, from what I hear around the place, and it's building up a pretty significant pressure.

Dr Helgeby: Each agency has something that technically is called a departmental capital budget, which is an allocation, but that allocation is not intended to cover the totality of what capital investment might be—

Senator GALLAGHER: Yes. And it couldn't cover new capital. At least you've saved it up.

Dr Helgeby: Up to a certain point, and there are thresholds beyond which, really, it's a decision for government. Beyond those dollar thresholds, largely speaking, the normal budget allocation process kicks in. But there is an item sitting in each department's budget that allows them to undertake some capital works over the course of each year.

Senator GALLAGHER: So you are involved in those discussions at that level.

Ms Huxtable: Yes, I have been involved.

Senator GALLAGHER: We feel comforted by that.

Ms Huxtable: Just for the next estimates, maybe—the Prime Minister's department is the coordination hub for the APS review and they have a team they've set up to support consideration and implementation.

Senator GALLAGHER: I get that. It was just your role on that, through the Secretaries Board, and whether or not you as Secretary of Finance had been given any particular role in relation to any area of the Thodey review. I'd imagine as secretaries you bring your own expertise—did you want to add something?

Ms Huxtable: In terms of the government's response to the Thodey review, which I'm being told is on the website, there are some specific recommendations that Finance either has a lead role in or a supporting role. So in addition to the role that I have on Secretaries Board there are some very specific elements that we are working on. In light of the line of questioning, one of those does go to developing a whole-of-government plan for major departmental investment for government consideration. So it really does go to that issue. Then there are a number of others as well, which are around things like shared services and valuation.

Senator GALLAGHER: What's the time frame on those? Do you have to get back to the Prime Minister at any particular time?

Ms Huxtable: That work is currently occurring in PM&C so they've formed a team. They're working on the implementation and planning now—

Senator GALLAGHER: But in terms of the bits you are responsible for?

Ms Huxtable: I think we're working with them around some of the time frames on that. That's not quite landed, in terms of what that implementation plan looks like, is my memory. I'm told it hasn't quite landed, so that work is being conducted now and we'll obviously be working with them on our elements of that.

Senator GALLAGHER: Okay. I understand that Senator Patrick has some questions which you would like to fit in before dinner. Is that right?

CHAIR: Yes. If this is a natural point to break for you, Senator Gallagher, that would be great.

Senator PATRICK: Thank you, Senator Gallagher; you're so kind to me!

Senator GALLAGHER: I am! Just remember that when I need your vote for something, will you?

Senator PATRICK: I thought we kept all our negotiations secret? Minister, I note that Senator Cormann suggested you were the person to answer this, and for the benefit of the

minister I did table a document earlier. It was a page of an audit report. I just want to make sure you're not blind to what I'm talking about.

Senator Seselja: Thank you.

Senator PATRICK: This is an Auditor-General's report into government advertising. It's a report that was concluded in 2018-19. I want to talk about a couple of the recommendations and the status of those. Perhaps the easiest one for me to go to is recommendation No. 3, and in particular 3(a). The recommendation says:

The Department of Finance improve the transparency of its annual reporting on campaign expenditure by:

(a) reporting a total expenditure figure for all campaigns that consolidates media spend, 'consultants, services and other costs', and GST—

Recommendation 3(b) is basically about pulling out the AEC's advertising, noting that I think everyone accepts they advertise simply to inform people about elections. You say 'partially agree'. I don't know what 'partial' means here, but in relation to (a) has that been implemented? If not, why not?

Senator Seselja: I will go to officials on that.

Dr Helgeby: Yes, we have implemented the bit that relates to GST.

Senator PATRICK: It says 'other costs and GST'. It basically says 'Reporting a total expenditure figure for all campaigns' so that there is one place we can go to look at the total figure across government.

Ms Johnston: In our annual report for the 2018-19 financial year that we issued recently it looks at campaign advertising by the Australian government. We've included a table on page 41 that actually does total the campaign expenditure as requested by the ANAO report. What we didn't do was add GST. The reason we didn't do that is it's our view that maintaining a line of sight with the campaign expenditure to the budget allocations was a preferred approach. That's why we partially agreed. We did total; we didn't add GST. We also did not remove the AEC's totals from the overall total.

Senator PATRICK: Is there any difficulty in doing that?

Ms Johnston: There are some questions around the edges of non-campaign elements of a campaign about what's in and what's out, so we might be making arbitrary decisions then about what we include and what we don't.

Senator PATRICK: Can't that be covered in a footnote or something like that?

Ms Johnston: It could be, but the report also quite clearly states what makes up different parts of each campaign. It's pretty easy for someone to draw that conclusion themselves.

Senator PATRICK: The reason I asked that question is because Ms Sharkie asked the question in the House of Reps—there was a question on notice, or whatever their scheme is in that other place—and the answer that came back in relation to that was: 'Finance responded to recommendation 3 of the report by making changes to the content in its report. The remainder of the recommendations directed to Finance relate to matters of policy and the government is considering that advice.' Have you concluded that consideration?

Ms Huxtable: Just to be clear: we were talking about recommendation 3—

Senator PATRICK: Yes, that's right.

Ms Huxtable: but that response is referring to all the recommendations of the report. You will see from the report that we partially agreed, as you said, to recommendation 3, but we noted the other recommendations, because they are matters for the government to make a decision as to whether a policy change would be appropriate.

Senator PATRICK: Okay. That was very helpful; thank you. I will now look for that in the annual report. When you say 'our annual report' are you talking about the Department of Finance?

Ms Huxtable: No, it's the campaign advertising annual report.

Ms Johnston: Yes, there's a campaign advertising annual report. It's on our website and on the—

Senator PATRICK: 'Our website' being the Department of Finance?

Ms Johnston: The finance department, and on transparency.gov.au. It's on there as well.

Senator PATRICK: Thank you very much. In relation to recommendation 1, the Auditor-General recommended:

The Guidelines on Information and Advertising Campaigns by non-corporate Commonwealth entities be strengthened to ensure that:

(a) campaigns must be relevant to government responsibilities—

that seems very sensible—

(b) campaigns must be presented in an objective, fair and accessible manner and be designed to meet the objectives of the campaign ...;

(c) campaigns must be objective and not directed at promoting party political interests ...; and

(d) campaigns must be justified and undertaken in an efficient, effective and relevant manner ...

By anyone's reading of that, they all seem like sensible and proper recommendations. You gave a hint there, Secretary, in respect of what 'noted' means. Does noted mean you simply say, 'Okay, we note that,' but not actioning it?

Ms Huxtable: No. What noted means is that the recommendations are not going to issues that are within the Department of Finance's power to say, 'Yes, we're going to implement that.' Rather, they're decisions for government. The next step—and this is a general point in respect of ANAO reports—is that we would provide advice to the government in respect of matters in an ANAO report that is in their lane, and then it's really a matter for the government as to what they do in that regard.

Senator PATRICK: Thank you; that's very helpful. In relation to your response of 'noted', you will then have provided or initiated some process that you've just described. Where are you up to with that process? You've forwarded this information to government. It has considered it. It has come back accepting the recommendation—where are we at?

Senator Seselja: There is advice with me. I think it was received pretty recently, in the past couple of weeks. I haven't had time to properly consider that, but I'll be doing it soon. That will be a decision then for government as to how we respond. We'll go through our usual processes. We take all of the recommendations of the ANAO seriously. I think it's worth saying while I've got officials here, and you'd know that the report concluded that Finance and other agencies that were audited have been largely effective, so well done to Finance and the other agencies on that. We're always looking at ways where we can strengthen and improve

and we are certainly open to sensible suggestions. On that one, and I wouldn't pre-empt where we might get, you rightly make the point—

Senator PATRICK: Prima facie, Minister?

Senator Seselja: that it seems sensible, but I also look at it another way and say, 'I'm not sure that anyone reads 'should' as not being a requirement. I don't know that anyone sought to look at 'should' and say, 'Well, we'll engage in party politics,' or whatever. I think that would be broadly how it's interpreted at the moment. That would be my impression, but whether we come back and say yes to that is a matter for government, and we'll obviously have some internal deliberations before a decision is made.

Senator PATRICK: Sure. Noting that I'm not a minister and will never be a minister—

Senator Seselja: You never know what can happen in this world, Senator Patrick!

Senator PATRICK: I'm pretty confident—can you just walk through the process that you go through? So the advice sits on your desk. What's a typical process you would go through? Do you limit your consultation to the Treasurer and the finance minister? Or is it something that you go out more broadly with, and then it comes back to a consolidated position that cabinet decides on? Or do you decide on it?

Senator O'SULLIVAN: How long is a piece of string?

Senator Seselja: When you say 'typical', it obviously depends.

Senator PATRICK: Alright, what's your intention in respect of this particular recommendation?

Senator Seselja: The lines of accountability are my senior minister, the finance minister, but also there's the SDCC, which is a subcommittee of cabinet that deals with government advertising issues.

Senator PATRICK: SDCC?

Senator Seselja: Yes.

Senator PATRICK: What does that stand for?

Senator Seselja: Can someone help me out?

Ms Huxtable: Service Delivery and Coordination Committee.

Senator Seselja: There we go, SDCC. They would be the broad lines of accountability, and obviously that is then a matter for government overall as to exactly how that's decided.

Senator PATRICK: So that is a subcommittee of cabinet?

Senator Seselja: Correct.

Senator GALLAGHER: Ms Huxtable, you mentioned the gateway reviews that you do. Do any of those ever get published?

Ms Huxtable: No.

Senator GALLAGHER: Did they used to? I seem to have a memory of some of them being published.

Ms Huxtable: No. The purpose of the gateway review is to provide advice to the senior responsible officer for a project.

Senator GALLAGHER: Yes, I know what they are.

Ms Huxtable: I know about them from the senior-responsible-officer end, when I ran a few big ICT projects. I think it's a very important part of the process that the senior responsible officer has the opportunity to consider the outcomes of those reviews. There are notification processes that are part of the gateway review process, so if a project receives more than one amber-or-above rating—is that correct?

Dr Helgeby: Two in a row.

Ms Huxtable: Then there is a process of alerting the secretary of the agency, to ensure they are aware that that has occurred, and providing them with the recommendations of the gateway review report.

Senator GALLAGHER: So that goes to the secretary?

Ms Huxtable: Yes. That's right, isn't it?

Dr Helgeby: Yes.

Ms Huxtable: There are a number of steps. This is in the gateway review documentation, which is on our website.

Senator GALLAGHER: Yes, I've got it.

Ms Huxtable: If there's one red or two sequential amber ratings, I write to the entity's accountable authority—the secretary or equivalent. Similarly, if there are two red or three amber it would be the same thing but I would be asking that an action plan be developed and recommending an independent assurance-of-action-plan review to assist the sponsoring entity, and so on and so forth.

Senator GALLAGHER: Does Finance manage the gateway review? It's not run by the entity itself?

Ms Huxtable: No. We manage the process, which is effectively about bringing together a gateway review team. Finance itself is not a participant on the gateway review team. We don't involve ourselves, apart from in the process of engaging the right team and matching the team with the project. It's a bit of a match-making service, I suppose. And then, clearly, we receive the report, as does the senior responsible officer.

Senator GALLAGHER: Can you tell me how many times you've had to write to secretaries?

Ms Huxtable: I'd have to take that on notice. I've certainly written a few times, but it's not a huge number.

Senator GALLAGHER: Could you take that on notice—just for the last 12 months; I don't want a lot—and also, if it has escalated, how many times it has escalated to requiring an action plan. Is there anything that comes after the action plan?

Ms Huxtable: There's an expectation that the entity will also engage with their minister in respect of the issues at a certain point in time. The officers probably have all the detail.

Dr Helgeby: Gateway is not a single review; gateway is a sequence of reviews.

Senator GALLAGHER: Yes.

Dr Helgeby: In effect, if you get a gateway review that says you've got to implement an action plan then a gateway review team will come back again and assess the degree to which you've implemented the recommendations. Things may either be back under control or they

may further escalate through those processes. In fact, it's possible for more gateway reviews to be put into the process if it would prove to be worthwhile.

Senator GALLAGHER: But I'm asking specifically around Finance's escalation. Ms Huxtable has just taken me through the process where you write to the secretary, saying, 'This is what's happened,' and if you get another poor result then there's an escalation, basically saying, 'What is your action plan?' I'm asking: is there another step after that?

Dr Helgeby: There are three levels. I think we've talked about the first two. One is the notification from the finance secretary to the accountable authority—that's the first level. The second level is: the finance secretary notifies the entity, accountable authority, that the issues remain and the action plan needs to be developed, and then there may also be an additional step put in there. There is a third level; this is three sequential red or four sequential amber or amber/red ratings. In that case the finance secretary notifies the accountable authority that very significant issues continue and that an independent review will need to be undertaken to recommend remedial action. If you like, at that third level, it steps out of the—

Senator GALLAGHER: The gateway.

Dr Helgeby: Well, out of gateway into something else.

Ms Huxtable: Senator, just to refer to the website, it's all set out. There's a little booklet on the website that sets out all the various processes and the assurance review process as well.

Senator GALLAGHER: Yes. I'm on that now.

CHAIR: Senator Gallagher, we are right on the—

Senator GALLAGHER: My question is—and you can take it on notice—if you could answer how many times in the last 12 months you've had to go through those three steps.

Ms Huxtable: Sure. I'll take that on notice.

CHAIR: The committee will have a short suspension while we briefly discuss how many further questions we have for outcome 2 and whether and to what extent they are required after the dinner break, so please don't go anywhere; please bear with us, and we will return in a minute or two.

Proceedings suspended from 18:31 to 18:34

CHAIR: The committee will now resume. Committee members have agreed that we will not require Department of Finance officials for outcome 2, or for any other outcome, after the dinner break. There are further questions from opposition senators that range across a few outcomes and, rather than keeping you for the whole dinner break just to come back for a short period of time, those questions will be put on notice instead. For now, all department officials who are not required for any subsequent outcomes are free to go, and we will start again with the Australian Electoral Commission at 8.00 pm.

Proceedings suspended from 18:35 to 20:00

Australian Electoral Commission

CHAIR: I welcome the Electoral Commissioner, Mr Tom Rogers, and officers from the Australian Electoral Commission. Mr Rogers, do you wish to make an opening statement?

Mr Rogers: No, I don't.

Senator SCARR: Commissioner, in relation to obligations under the Commonwealth Electoral Act 1918 to make political campaigner disclosure returns there's a key definition which relates to electoral expenditure. Can you explain how you interpret the meaning of that key definition?

Mr Rogers: Just so I understand exactly, are you talking about not parties but political campaigners or third parties—is that right?

Senator SCARR: This would be a third party.

Mr Rogers: In which case, you are possibly talking about the definition of dominant purpose—is that right?

Senator SCARR: As I understand it, section 287AB of the Commonwealth Electoral Act provides meaning of electoral expenditure, which means expenditure incurred for the dominant purpose, as you say, of creating or communicating electoral matter, and then there are a number of stated exceptions in relation to that definition. From a practical point of view, if you have an organisation that is set up to campaign on political matters, how would you treat the expenditure that that organisation makes in paying its own staff and other costs when those staff are deployed for the purpose of creating a political matter and communicating that political matter?

Mr Rogers: I might start and then our acting chief legal officer might join me and correct me if I have headed down the wrong path. First of all, there is a difference with political parties. I think there is an assumption that political parties are essentially established for political purposes, and when we talk about campaigners and third parties, that's a different matter. For example, third parties could include charities, so they might have a number of different facets to what they are doing that are not necessarily focused on electoral expenditure.

With political campaigners, there are always going to be judgement calls. I might use an example, and if I'm wrong the acting chief legal officer will correct me. You could have a situation with a political campaigner where, for example, you've got a chief financial officer. A chief financial officer is primarily responsible for looking after the books, I would presume. So you would have to make some sort of call about whether the main purpose of that individual was the dominant purpose, whether the expenditure on their salary was for election expenditure or for more administrative purposes. You could then extrapolate that out with a whole range of different positions within any political campaigning organisation. The organisation itself would have to make a call on what they thought the dominant purpose of each of those positions was. I've used chief financial officer; I'm trying to think of something else—maybe a community outreach officer or something like that who may not have a dominant purpose of electoral expenditure. Mr Johnson might wish to add something to that.

Mr Johnson: No, there's not much to add other than to look back to the reforms that are inserted, the political campaigner definition, and put that with the definition of electorate expenditure in section 287AB, which commenced on 1 January last year. The explanatory memorandum with that bill explained exactly as the Electoral Commissioner did say, that for those third parties and political campaigners it would be a matter of them determining what percentage of their costs amounted to electoral expenditure.

Senator SCARR: Okay.

Mr Rogers: And then probably to finish off on that it is, as I mentioned, predominantly a matter for that entity to make that decision. But at a point in time that specific entity may be subject to a compliance review by us and then we would examine those issues and they would have to justify what they're—

Senator SCARR: Have you ever had cause to initiate a compliance review of GetUp Limited?

Mr Rogers: We've done that on several occasions. Let me be specific, I'm sorry. You've just used the word 'compliance' review. We investigated GetUp, if I can use that term, in 2005, 2010 and 2019, and each of those events has been fairly publicly conducted. In terms of compliance reviews, I'll have to check—I don't think we've done compliance reviews because we did those investigations, but I'd point out that currently they're a political campaigner, which is a brand new category that was inserted into the act, as the chief legal officer said, in—

Mr Johnson: On 1 January last year.

Mr Rogers: in 1 January last year. So given that is a brand new category, I would be presuming, at a point of time, that they would qualify to be examined for possible candidature for compliance review.

Senator SCARR: On 21 October 2019 they lodged a political—at least it's stated as that date—they lodged a political campaigner disclosure return. That indicated in part 6 that they had incurred or spent \$2,314,389 in terms of electoral expenditure for financial year 1 July 2018 to 30 June 2019, which period encompassed both the Wentworth by-election and the last general federal election. Commissioner, have you had cause to review that return and consider whether or not the return was accurate in terms of the number, in particular, with respect to electoral expenditure?

Mr Rogers: Well, Senator, let me go back a bit. We finished our third investigation—and this is publicly known—in February 2019. We hadn't done compliance reviews on GetUp before that because they were a third party. We didn't do compliance reviews on third parties; it wasn't part of the legislation. They are now a political campaigner. Now that all the returns have been submitted and, indeed, published on our website, there will be a point in time when we start the compliance program on those returns. And now that they are a political campaigner, GetUp, along with all the other political campaigners, will absolutely be considered for examination at a point in time.

Senator SCARR: I've got a copy of their statement of profit or loss and other comprehensive income from their financial report, which you can find on their website. I'm happy to give you a page—that page if it's of use—but I'm going to refer to the particular line item so it's on the record.

Mr Rogers: Sure.

Senator SCARR: They have a line item for campaign expenses, and that figure is \$3,626,131. What I note in the first instance is there appears to be a discrepancy between—and it might be explainable; it might be explicable. There's no note explaining what it consists of. I've read the financial statement in its entirety. But it compares to the disclosed electoral expenditure of \$2.3 million, which I referred before. So there is a discrepancy there between the stated campaign expenses and then the amount disclosed in their political campaigner

disclosure return. Is that the sort of issue you might look at, if you were to review their compliance or otherwise, with respect to their disclosure obligations?

Mr Rogers: Yes. When we do compliance reviews we look at a whole range of publicly available information, along with the information that the entity itself has provided. So that would be something we would examine at that point in time. But all parties, political campaigners, third parties, have to make a call on many issues, not just that, which they then have to stand by and prove at a point in time.

Senator SCARR: They list their total expenses in this statement of profit or loss and other comprehensive income at \$13.896 million.

Mr Rogers: Sorry—this is still from their annual report?

Senator SCARR: Correct. And that includes employee-benefit expenses of approximately \$7.2 million. I note your example with respect to a chief financial officer keeping the books. If the dominant purpose of the entity is political campaigns—so it's not an ancillary purpose and it's not like a charity that's doing charitable work and gets involved in a campaign from time to time on a particular social issue. But if the dominant purpose, as suggested by the commentary in the financial report itself, is political campaigning, would you expect that a majority of that employee expense should be allocated to electoral expenditure, or is that a matter which you would consider as part of a review?

Mr Rogers: That's a matter we'd consider as part of the review, but I might just pick up on something Mr Johnson said before. In the explanatory memorandum there are some specific examples of that very issue—I think even about positions.

Mr Johnson: Yes.

Mr Rogers: I'm not talking about GetUp specifically, but I'm presuming that entities more broadly would use that guidance in establishing whether or not that was the dominant purpose for that expense. But eventually, if and when they are subject to a compliance review, those matters that you've raised, Senator, would absolutely be matters that we would look at.

Mr Johnson: Just to add something to the Electoral Commissioner—when you're looking at the definition of 'electoral matter' in section 287AB, it's 'expenditure incurred for the dominant purpose of creating or communicating electoral matter'. 'Electoral matter', now in section 4AA of the Electoral Act, is far narrower than it used to be, and it really is about the dominant purpose of influencing the way electors will vote in elections. So if you have a third party or a political campaigner, the case is, particularly over a 12-month period, that period which is actually campaigning on the election and generating electoral matter and electoral expenditure is only probably a portion of the annual expenditure of that third party or political campaigner that they can engage in issue based campaigning outside the election, which might not necessarily be for the dominant purpose of influencing the way electors vote at an election.

Senator SCARR: In conducting that analysis, would you consider the commentary in the financial statement of the entity itself in its own annual report, where, for example, in the example I'm giving in terms of GetUp, there's a section entitled, 'How activities assisted the entity to achieve its objectives.' There are only seven paragraphs there. The preponderance of the commentary is in relation to federal election issues. If I could just give you two examples:

GetUp members and their passion – the million plus Australians who take action with GetUp – powered our 2019 Federal Election campaign ...

That's one example. Another example is:

Some of our movement's highlights during the year include: a watershed victory when the landmark 'Medevac' bill was passed—

and then it goes on:

ensuring that climate change determined the outcome of the Wentworth byelection, sending shockwaves through the Liberal party for their inaction and denial, and taking on the hard-right and unseating one of the most destructive politicians of a generation, Tony Abbott, in a tough-fought and ambitious election campaign.

Those are not obviously my words. They're the words out of the financial report of GetUp Limited. So when you're considering the dominant purpose of this organisation and what proportion of its fund should, reasonably, in a balanced way, be disclosed as representing electoral expenditure, would you actually consider the commentary in the annual report of the organisation itself?

Mr Rogers: We consider publicly available information, Senator.

Senator SCARR: Thank you very much.

CHAIR: Just to follow up on Senator Scarr's questioning—it seems to me, on the face of it, just the figures that Senator Scarr quoted have an obvious discrepancy between what GetUp has declared to the AEC and what they publicly claim about themselves and to their members. On the face of it, do those facts suggest that investigation is warranted?

Mr Rogers: We've now investigated GetUp three times. The most recent completion to that investigation was in February 2019. We did a very detailed examination of GetUp. And I might just say that, at the same time, because of the sensitivities of this, we also received external legal advice about that investigation from both the Australian Government Solicitor and the CDPP. So I would require something significantly different from the facts that have existed previously each time we've looked at it. If you've got additional information, I'm always happy to receive it. But they are still subject to the possibility of a compliance review. At this stage, I have no plans to launch an investigation into GetUp.

CHAIR: That is reasonable; I would agree with that. My memory of your previous investigations into GetUp is that they centred around whether they were an associated entity. This, I think, is a different matter; it is about how they are disclosing, accurately or otherwise, to the AEC and the Australian public their political expenditure.

Mr Rogers: And I get that. As I've said to this committee before, we do a number of compliance reviews every year—at the moment, it's between 20 and 30 a year depending on a range of issues. We have a risk based matrix that we use to decide which entities we look at. Deliberately, and for obvious reasons—we don't want people to game the system—we've never publicly released all of the elements of that risk based matrix. But, as I've said publicly, there are some very obvious things that you could just guess would be part of that matrix—and one of those issues is materiality, or information in the public domain. I don't decide on which entities are reviewed. We have a committee and a transparent internal process where the matrix is used to decide on the workload for the following 12 months. GetUp, as political

campaigners, will absolutely be part of the process we go through to consider which entities we look at.

CHAIR: Do you take into consideration that, certainly in financial terms, GetUp is probably the largest independent campaigner in Australian political elections? We're not talking about a local community group that is concerned about the off-leash dog park; that probably wouldn't warrant sustained investigation. But this is a very different body, isn't it?

Mr Rogers: It is. As I've said previously, without going into the detail of what's in that risk based matrix, clearly the issue of materiality would be a factor that we would consider.

CHAIR: There has been a controversy in the media recently about how much of GetUp's expenditure is on campaigns and how much of it is on back-office. In *The Australian* on 25 February, in effect responding to that criticism, a GetUp spokeswoman said that, if all of its spending was considered then \$12.4 million, or 89 per cent of spending, was related to campaigns. So there I think you have GetUp publicly identifying—in fact, proudly claiming—that their political expenditure was in fact far greater than what they disclosed to the AEC.

Mr Rogers: I've noted that and I'm aware of the media report as well.

Senator FARRELL: I think you mentioned that there had been three inquiries into GetUp. Can you repeat the years that those inquiries took place.

Mr Rogers: In 2005, 2010 and 2019. But, to be fair, I think 2019 was when an inquiry was completed, rather than when it was conducted. From memory, it took us a bit of time. I think it started in 2018.

Senator FARRELL: Those inquiries always seem to take a bit of time.

Mr Rogers: But we are very thorough.

Senator FARRELL: Yes, I know you are. Is it true to say that each of those inquiries related to whether GetUp was an associated entity?

Mr Rogers: That's correct.

Senator FARRELL: I guess the question that was being asked is: is GetUp an associated entity to the ALP?

Mr Rogers: To be specific, it was: is GetUp an associated entity to the ALP and the Greens. Let me correct my own evidence to be totally accurate. The question was: is GetUp an associated entity of one or more political parties. Let me be clear on that.

Senator FARRELL: So you looked at what other political parties in that process?

Mr Rogers: ALP and the Greens. I know I'm being nitpicky there, but it's such an area of public interest that I want to be precise in my language.

Senator FARRELL: You weren't thinking that they might have been an associated entity to the National Party or the Liberal Party or anything like that?

Senator ABETZ: The Labor Party possibly.

Senator FARRELL: So you conducted those inquiries. How did those inquiries start?

Mr Rogers: The inquiry that finished in 2019 commenced as a result of questions at the Joint Standing Committee on Electoral Matters that might have even been at the end of 2017,

from memory. I'd have to check my records on that. As to the 2010 and 2005 inquiries, I'm not sure. I'd have to take that on notice.

Senator FARRELL: That would have predated your term as commissioner?

Mr Rogers: Yes, it did. I was the state manager in New South Wales before, but it bracketed that, so I wasn't involved in that process.

Senator FARRELL: Each of those inquiries investigated whether there was truth to the proposition that GetUp was an associated entity?

Mr Rogers: Language is important with this issue.

Senator FARRELL: Sure. Get it right.

Mr Rogers: I don't have the power to declare any entity as an associated entity, or did not have the power. It was rather: did they have a reporting obligation, as an associated entity, in the specific year in question? The Electoral Commissioner has no power to say, 'You're an associated entity.' Rather it's: 'It appears as if you have an obligation to report as an associated entity in a particular year based on your activities in that particular year.'

Senator FARRELL: In each of the cases where the investigation took place, the AEC were satisfied that there was no such obligation?

Mr Rogers: That is correct. I'm summarising a fairly complex issue into that answer, but yes.

Senator FARRELL: If you think it needs further clarification, I'm happy if you seek to clarify. Do you want to look at each of the three circumstances?

Mr Rogers: No. I'm not sure what the previous two found what the language was. I'm not sure we had that with us. But in the last round, 2019, we found that they did not have a reporting obligation in that year as an associated entity. I'm pretty sure that's what I'd said previously to this committee. I just want to make sure that my answers are not misleading.

Senator FARRELL: You've thoroughly investigated the issue over a 15-year period, and each and every time that you've investigated you've found, in essence, that there was no associated entity obligation between GetUp and either the Labor Party or the Greens?

Mr Rogers: We found that GetUp did not have a reporting obligation as an associated entity.

Senator Seselja: It would be interesting to see if they campaigned against the Otis group, Senator Farrell! It would perhaps be a bit of a test of independence. We'll see.

Senator FARRELL: With all due respect, Senator Seselja, that joke has already been done to death earlier today.

Senator Seselja: There you go. I missed it!

Senator FARRELL: What about trying to think of something—

Senator Seselja: I missed it yet I came up with it independently!

Senator FARRELL: What about trying to think of something a bit original?

CHAIR: I think that's in the eye of the beholder, Senator Farrell. I think there's a lot more to come.

Senator FARRELL: What about trying to get something original or new?

CHAIR: Or, indeed, sticking to the business of the committee. Are you done on this matter, Senator Farrell?

Senator FARRELL: On that particular issue, yes.

CHAIR: I will come back to you after we go to Senator Abetz.

Senator ABETZ: Thank you to Labor colleagues for allowing me just to ask a quick bracket of questions that in fact follow on from what's been asked about organisations bragging how much they've spent on the campaign. On this occasion it's an individual who claimed that he had spent hundreds of thousands, or in the six figures, but only disclosed \$20,000. And he may have declared that in your electorate, Senator Seselja—

Senator Seselja: He may have.

Senator ABETZ: to a so-called Independent candidate in the ACT.

Senator Seselja: He obviously chose well.

Senator ABETZ: I refer to the story in 'Rear Window' talking about one Alex Turnbull.

Senator FARRELL: Oh, come on! He's on your side. Give me a break!

CHAIR: Not judging by his electoral return.

Senator ABETZ: Just as friendly as Otis within the Labor Party!

Senator FARRELL: You're turning on your own.

Senator ABETZ: It reads:

In response to last week's scrutiny of the "six figures" Alex Turnbull claimed he'd donated to independent candidates in May's federal election—

Mr Turnbull—

took to Twitter, as is his wont.

Turnbull jnr stated again that his donations were worth "Yes six figs". His justifications for disclosing only two donations (both to unsuccessful ACT Senate candidate Anthony Pesec) worth a cumulative \$20,000 include, but are not limited to:

"The threshold for disclosure is \$13k", "donating to entities that make donations is not captured", and "the system can be games [sic] and heavily so."

Are you aware of that report?

Mr Rogers: I'm not. I think some of my staff are.

Senator ABETZ: To those that are aware of it: does a story such as that trigger an investigation to ensure that proper disclosure has in fact taken place?

Mr Rogers: It is certainly—just for the record, by the way, I don't have a Twitter account.

Senator ABETZ: Very wise!

Mr Rogers: It would certainly be information that we would use as part of compliance reviews. It is absolutely the sort of publicly available information we would use to consider whether to do a compliance review on an entity or a candidate's return or a donor return.

Senator ABETZ: Can we ask if this matter has excited some interest other than just having it read?

Mr Rogers: I might take that on notice because I am not aware of the details of that at the moment. If I can get that information I will provide it to you.

Senator ABETZ: Good. Thank you. It is always the case that those that demand transparency from everybody else seemed to delight at being able to hide behind obfuscation and gaming the system for themselves. If you can take that on notice—

Mr Rogers: I certainly will, Senator.

Senator ABETZ: and let me know how that is going to be progressed, I would be much obliged. Thank you.

Senator AYRES: I wanted to turn to a figure who has made substantially larger contributions than in the questions we have just listened to. The amount of donations received by the United Australia Party from Clive Palmer's companies has been well publicised, as far as we know. The AEC's register sets out that the UAP received \$83 million from Mineralogy Pty Ltd, \$106,000 from wholly owned Mineralogy subsidiary Waratah Coal, \$25,000 from Queensland Nickel Sales Pty Ltd—which could well have gone to satisfy some other outstanding obligations to employees—and \$53,000 from the Palmer Coolum Resort Pty Ltd. Clive Palmer donated over \$83 million to himself in the campaign, but he is unable to pay outstanding redundancy, superannuation and other entitlements to employees. Assistant Minister, do you have a view on the treatment of workers in Mr Palmer's companies?

Senator Seselja: Do I have a view on it? I think it has been pretty well publicised. I think Mr Palmer has not complied with his obligations, it would seem to me, in terms of doing the right thing by workers in a number of cases. Obviously those matters may well play out still before the courts. I think that owners of businesses should meet their legal requirements, at a bare minimum.

Senator AYRES: It's a pretty extraordinary figure: \$83 million in an election.

Senator Seselja: It's a big number.

Senator AYRES: It really is. Commissioner, I see that all of those companies that I referred to above submitted amended returns in January 2020 after their original returns were submitted in November of last year. Is that because the AEC directed the companies to submit an amended return?

Mr Rogers: As you are probably aware, many political parties across the spectrum submit amended returns every year. In fact, large numbers of political parties submit returns. There are a few reasons for that. Sometimes it's on own motion: they will tell us that they've made an error, and, given the purpose of the act is disclosure, we have a longstanding practice of always accepting amended returns. Occasionally, it will be because we've done a compliance review on that particular entity, we've found an issue and we've pointed that issue out to them, and they will make an amended return as a result of that. The specific issue that you were talking about there, I'm not sure whether that was as a result of intervention by the AEC or own motion.

Senator AYRES: Is there anybody here who can help?

Mr Rogers: No, we'll have to check that, Senator, but I will check and we'll come back to you and let you know whether that was at our request or whether that was as a result of the entities themselves making that disclosure.

Senator AYRES: I'm happy to take it on notice, but is it something you're able to tell us that this evening, or is likely to be longer than that?

Mr Rogers: It won't be this evening, but we could even do that this week. It would be relatively easy.

Senator AYRES: It appears that the amended returns list all of the individual donations and the dates on which they were made, which is required, but the original returns didn't. Are there penalties for supplying false or misleading information?

Mr Rogers: The modern act, as it was established, in 1983, was very much focused on disclosure, and that was a deliberate decision by parliament when the act was established. It's why we have that longstanding practice of accepting amended returns, and then publishing those amended returns for transparency's sake. We always accept those amended returns and we continue to publish them. So there's no penalty associated with putting in an amended return.

Senator AYRES: And there's a good policy reason for that. You've got political organisations, which are complicated. You've got third party organisations that interact.

Mr Rogers: And sometimes there are temporary staff who are doing volunteer work for political parties.

Senator AYRES: Yes, so in order to deliver transparency, that policy objective makes sense. But it's quite different for a sort of \$83 million behemoth that just lobs—

Mr Rogers: The act doesn't discriminate with size of donations, it just—it is about disclosure. I understand what you're saying, Senator, but the act is silent on that.

Senator AYRES: So Mr Palmer made a genuine mistake and decided to fix it—putting aside my apprehensions about somebody spending so much money to influence the course of an election. That's one thing. But if there was a compliance investigation, and we'll find out in due course—

Mr Rogers: I can actually tell you now. Clever staff have provided the answer. We requested the amendments, because the entities did not originally separately disclose each donation, so we asked them to do so.

Senator AYRES: I'm very grateful for you coming back to us so quickly on this matter. Before I ask any more questions about Mr Palmer's operation, are there any other notices like that, or any findings that you've made in relation to Mr Palmer's political operation, the UAP, or his donors, where you've directed him to amend something? I appreciate I'm asking a question that might need to be taken on notice. But are there other examples of the Electoral Commission requiring compliance of Mr Palmer?

Mr Rogers: I would have to take that on notice. I think it would be a grave risk that we might mislead you on that. Just in terms of us requesting the amendments, I'm going to make a presumption here—and someone might nod or otherwise—that the reason we asked for the amendments may not have been as a result of a compliance review but simply that, when that information was submitted it was obvious that there was an issue, and so we asked them to rectify that issue—a staffer is nodding. We do that relatively regularly.

Senator AYRES: I see—that would be because it was just obviously not right. The Palmer Coolum Resort amended return lists donations of \$103,495, including each individual donation even when they are below the disclosure threshold. Counting only the donations which were required by law to be disclosed, these amount to \$50,072, yet the UAP's

disclosure lists Palmer Coolum Resort as having donated \$53,556. Do you know which of those figures is correct? Are you in a position to say this evening?

Mr Rogers: I don't have that in front of me, Senator. I'd have to take that on notice and have a look at that.

Senator AYRES: If you could do that for me, thank you. Are there any compliance activities in relation to the Coolum resort donations to the UAP on foot—

Mr Rogers: I can't comment on that at the moment.

Senator AYRES: finalised or commenced?

Mr Rogers: I can't comment on that at the moment. The compliance review program, based on the submitted returns will start fairly shortly. I'm not aware at the moment of whether there's a compliance review on foot or not, and I'm unable to confirm that at the moment.

Senator AYRES: Okay.

Mr Rogers: I made the decision four or five years ago that, when we complete all those compliance reviews each year, they go on the website; they're public compliance reviews, so at a point in time they'll either be there or not.

Senator AYRES: Is it the same answer for his other companies' donations?

Mr Rogers: Absolutely.

Senator AYRES: Are you in a position to provide us on notice information about whether any compliance action is on foot in relation to any of those companies?

Mr Rogers: I can't, for the reasons I said previously. We've got our risk based matrix that we use to decide which entities we look at, and there are a whole raft of factors that we look at for that risk based matrix—I'm trying to avoid saying what those factors are, but there are a number of issues. Publicly available information would be one of them and materiality would be the other. So they could be subject to a compliance review.

Senator AYRES: Are you now certain that all of Mr Palmer's donations have been declared?

Mr Rogers: I'm as certain as I am with every other entity that reports and self-reports against those criteria. That's why there are frequently amendments to returns after compliance reviews as we discover various issues that may well have been missed out by disclosure entities.

Senator AYRES: Gifts in kind: same answer?

Mr Rogers: Same answer.

Senator AYRES: The United Australia Party lodged its party return by the due date, 18 October 2019. That return lists single donations by Mineralogy Pty Ltd, Waratah Coal, Queensland Nickel Sales and Palmer Coolum Resort Pty Ltd. Is it a requirement that a party's annual return details each individual donation made above the disclosure threshold?

Mr Rogers: It is absolutely a requirement for them to list individual donations above the disclosure threshold.

Senator AYRES: There's no amendment to that return that has been published on the AEC's transparency register. Are you aware whether an amended return has been lodged?

Mr Rogers: I'm feeling slightly nervous answering these questions without the detail in front of me. I obviously don't have all the party returns. It's a fairly large issue.

Senator AYRES: Perhaps you could take that question on notice. The first question, which I think you've answered, is: is it a requirement that the annual return detail each individual donation? The answer, I think, was absolutely yes.

Mr Rogers: Above the disclosure threshold.

Senator AYRES: And you will come back to me about whether or not there have been amended returns. If they're not on the AEC's transparency register, in the event that amended returns have been provided, I'd like to hear more about that. These are very substantial individual donations. Beyond compliance activities, are there any other enforcement activities that the AEC is able to undertake?

Mr Rogers: Compliance reviews are something we do automatically every year to ensure that the provisions of the act are being adhered to. Outside of that, there would need to be some sort of trigger that there'd been some sort of significant breach of the act or a part of the act. At this stage I have no evidence in front of me that any part of the act has been breached.

Senator AYRES: Given all of this—it's a policy question, I warn you in advance!—do you have a view about election expenditure caps as a way of dealing with that kind of—

Senator CANAVAN: Chair, point of order. The senator is clearly asking for a policy opinion.

Senator AYRES: Oh, Mr Palmer's friend has arrived!

CHAIR: Based on what I've experienced, I don't think Mr Rogers needs much assistance with that.

Senator AYRES: I wouldn't ask him if I thought he was naive about whether or not he should answer it. I'm just asking it, and you should treat it how you think it should be treated.

Mr Rogers: The design of any national funding and disclosure scheme is largely a political decision for the parliament. There are always figures that're put in place—some have expenditure caps, some have donation caps. It really is a matter for the parliament, rather than for the unelected Electoral Commission, to have a view on that. From my perspective, my role is to administer the act, which we try to do within an inch of its life to make sure that it's transparent, that we are doing exactly what the legislature has asked us to do. But in terms of opinions on those matters I don't have a public opinion on it.

Senator AYRES: Yes. And there's a demand and supply side approach to money and political campaigns isn't there? You either focus on donations and/or you focus on expenditure, and there is a substantial effect on political participants and citizens' rights in whichever direction you go. Would the administration of expenditure caps, if the parliament decided that expenditure caps were a sensible way of approaching the intervention of mining—I suppose he's sort of a miner. With the intervention of big money into elections would it be complicated by not having fixed terms—managing the expenditure cap process?

Mr Rogers: Again, I'm uncomfortable with that hypothetical question because it also includes something about fixed terms. I'll put on the record that I have no view about fixed terms. The Electoral Commissioner says nothing about fixed-term elections. The issue of that, again, is a matter for the legislature. From my perspective, what I frequently point out is that

changes to the act, no matter which way they go, have a costing implication for the AEC. Were parliament to ask us to do something fundamentally different from what we're currently doing there may well be a cost implication for that.

Senator AYRES: You've raised funding and costs. Do you think that the commission is adequately funded to undertake the compliance reviews that operationally you believe you need to conduct in order to maintain the integrity of the system?

Mr Rogers: I'm not sure there would be an agency head that would be sitting in my position here that wouldn't say, 'Yes, it's all good here and I've got enough cash.' We are always looking for ways to make sure that we can administer the act in a fair and transparent way, and that means conducting as many compliance reviews as we can within the funding envelope that we've currently got. We are looking to increase the number of compliance reviews they're doing. In fact, we're aiming to do that over the next couple of years—significantly increase the number of compliance reviews—and I think we've received provisional funding for that. We will continue to do that. We continue to work with government to make sure we're fully funded across a range of issues.

Senator AYRES: There's funding to do additional compliance reviews. Does that mean additional permanent staff?

Mr Rogers: We will need additional permanent staff to do that, and some contractors. In fact, we're recruiting at the moment. We need some specific skill sets.

Senator AYRES: Yes, that was my next question. What are the skill sets that you require?

Mr Rogers: Audit and a range of other skills sets as well. I know I'm sounding very precise this evening. You've asked a question about funding. I took that question as being specifically about funding about that area of the AEC's operations.

Senator AYRES: Yes, it was. Thank you. I wouldn't be bold enough to ask about everything. I want to ask a few questions about the Liberal Party's annual return, which was published on 3 February. It disclosed a \$165,000 donation from an entity called Southern Strategy. That entity is supposed to be headed by Mr Scott Briggs who is a personal friend of the Prime Minister and behind a consortium which was bidding for a contract to run the visa processing system. The donation wasn't disclosed by Southern Strategy. The Liberal Party is now claiming that it appeared on the Liberal Party's return in error and that the Liberal Party never received such a donation. Are you aware of the reports?

CHAIR: Just for the clarity of the record, we should note that, I believe, Mr Briggs is not participating in that visa bid any longer.

Senator AYRES: Thank you.

Mr Rogers: A couple of things. Firstly, I'm not aware that the person you referred to is a friend of the Prime Minister or any personal connections or anything to do with that individual. Secondly, I am aware of the issue and I'm aware that the Liberal Party annual return was amended and that we published that amendment. Again, I'd probably come back to what I said earlier on: from my perspective, it falls within the category of an amended return, which parties do on a fairly regular basis. I'm aware that, when we received that information from the Liberal Party, my staff spoke to the party to confirm the details of that, and then we accepted that amendment and have published the amendment. Other than that, I'm not aware

of any other issues behind that donation, and I'm not aware of any other rules being broken. So that's the level of information I have at the moment.

Senator AYRES: There's an amended return on 15 January. However, as I understand it, that wasn't to delete the donation from Southern Strategy.

Mr Rogers: I'm not sure of the date on which that was amended.

Senator AYRES: Is there a subsequent amended return?

Mr Rogers: I think that the Liberal Party has amended its return. I'm not sure of the date. In February, the return was amended.

Senator AYRES: So subsequent to the one that's been provided for me. You say you had a discussion—not you but one of your officers—with the Liberal Party about the mistaken donation. Was that the extent of the investigation?

Mr Rogers: At this stage, yes. I was just looking for the date that we published it, which I don't quite have. Routinely, what would happen in that circumstance is that, instead of just accepting the amendment, quite often my staff will speak to the entity that's making the amendment and try to get some circumstances surrounding it. Once they've done that and satisfied themselves that it seems reasonable on the surface of it, they will accept that amended return and publish. The reason is that that's the purpose of the act. That's what we do. We do that with a large number of entities—in fact, many entities each financial year. So we accept that return and publish it, and then, unless additional information comes to light, as far as we're concerned that's the end of that matter, because disclosure has been achieved.

Senator AYRES: But it's an odd story, isn't it? You accidentally declare a donation that you didn't receive, and it's \$165,000.

Mr Rogers: Again, I'm just the vessel here, but the act does not discriminate in terms of quantum. We just accept amended returns, as we mentioned previously. The other issue was Mr Palmer's \$83 million. We've accepted that amended return in good faith. Now that it's a major party, at a point in time it may also be subject, I would presume, to a compliance review, and that point in time that will be examined.

Senator AYRES: Yes. It's hard to fathom, really, how you accidentally declare a donation of that scale that you didn't receive.

Mr Rogers: As I say, each year we accept a large number of amended returns from across the political spectrum, and they're for a variety of reasons.

Senator AYRES: I have a couple of questions about One Nation.

CHAIR: Why don't you do those? But then I'm keen to offer the call to Senator Canavan at some point as well, and I know we have to go to Senator Farrell.

Senator AYRES: Okay. I reckon I've got five or 10 minutes.

CHAIR: Okay.

Senator AYRES: Commissioner, there was an answer to a question that you took on notice from the last round of estimates regarding an interim determination to refuse part of the claims by Pauline Hanson's One Nation for public funding.

Mr Rogers: Yes.

Senator AYRES: In that answer, you said:

... certain items were refused following a determination that they did not meet the definition of electoral expenditure as set out in s287AB of the Electoral Act.

The amount of expenditure that was not accepted was \$68,079.65.

Can you tell us in what way those items that were refused don't meet the definition of electoral expenditure?

Mr Rogers: No, I'm not able to do that. We've made a decision, for all parties, not to go into that level of detail, because in some cases at least we could be breaching commercial-in-confidence information. So the level of information we've provided there is quite deliberate.

Senator AYRES: So you're not able to tell me what evidence One Nation provided on this?

Mr Rogers: This is the first time, by the way, that this system was put in place for expenditure to be justified. I know some of the states have done it for quite a while, but this is the first time federally. My staff, I think, did a great job in going through those claims very quickly and making sure that they were paid on time. Where there were questions, we resolved those with the parties. In this particular case, as it says there, we didn't think those matters were within section 287AB of the act, so we didn't provide funding.

Senator AYRES: Have they submitted an amended claim or tried to provide any additional evidence?

Mr Rogers: The party had until 17 November to lodge a final claim for election funding. I'm not sure they resubmitted the disallowed claims.

Senator AYRES: That would be 17 November 2020.

Mr Rogers: I don't think they submitted the disallowed claims.

Senator AYRES: They had until 17 November last year to do it.

Mr Rogers: That's correct.

Senator AYRES: Have they done that?

Mr Rogers: They submitted a final claim, but I'm not sure they resubmitted a claim for the disallowed. In fact, we'll take that on notice. I'm pretty sure they didn't, but we will take that bit on notice.

Senator AYRES: Thank you.

Senator CANAVAN: I have some questions about the legal obligations of registered charities, particularly in respect of foreign funding of political campaigns and of political electoral expenditure. I'm sure you're aware that the Commonwealth Electoral Act was amended in late 2018 to ban foreign political donations from Australian federal elections. My understanding is that, after these changes, while registered charities can use foreign donations for their charitable activities, they must not under these laws use any part of a gift from a foreign source to incur electoral expenditure if that electoral expenditure is above \$13,800. Is that broadly correct?

Mr Rogers: I'll just throw to the chief legal officer, and I might have a stab here. As you've said, it's a new piece of legislation that I think everyone has been coming to grips with. I think it has worked fairly well, and I think that, exactly as you've said, is correct.

Mr Johnson: Yes, that's right.

Senator CANAVAN: That's good. We've got that there. My understanding is that the charities that meet the description of a 'political campaigner' must, under these laws, not accept foreign donations of \$1,000 or more, regardless of what those donations are ultimately used for, and not accept donations of \$100 or more from a foreign source where those donations will be used to incur electoral expenditure or create or communicate electoral matters. Is that correct too, Mr Johnson?

Mr Johnson: Yes, that's right.

Senator CANAVAN: I have an example here, and I'm always mindful that, with particular examples, you might need to take things on notice. That is fine. Greenpeace Australia Pacific is a registered charity. They have a total gross income in 2018 of \$19.6 million. Before the 2019 federal election, Greenpeace published an appeal on its website, which is still apparently available online, calling for donations to:

- Bombard the Coalition with hard-hitting online advertising they won't be able to avoid;
- Produce a gut wrenching yet earnest ... television commercial, and get it in front of politicians during budget week ...

Their appeal was authorised by Dom Rowe of Greenpeace Australia Pacific, and Greenpeace have reported on their website that \$15,907 was raised to fund this advertising. Greenpeace also published another appeal with the same authorisation ahead of the election for donations to fund a national opinion poll, print advertising and 'targeted digital advertising in Liberal held electorates'. For this particular second ask, Greenpeace reported \$38,447. With your indulgence, Chair, I wouldn't mind tabling these, if I can. I'll make them official so the AEC can have these. Given the facts we established before, if Greenpeace spent more than \$13,800 on polling and political advertising, it would be obliged to disclose that expenditure in its annual disclosure return to the commission. Is that right?

Mr Rogers: That's correct.

Mr Johnson: Yes.

Mr Rogers: The information that I haven't seen—

Senator CANAVAN: Yes, that's fine.

Mr Rogers: I'm presuming that what you are saying is that it was after the implementation of the legislation—

Senator CANAVAN: Yes, it was before the federal election but in early 2019. One of these, as I mentioned was for ads in budget week in May last year. If Greenpeace were obliged to make that disclosure return, how would you determine that no foreign money had been used to fund the expenditure disclosed? This goes to the compliance with this act. How are you going to establish that from all the other sources of funding, presumably, that Greenpeace has?

Mr Rogers: Yes, sure. I'll fall back on the answer I'd given previously, which was: at first blush it would be up to the entity themselves to declare that that was the case. But then all those entities will possibly be subject to a review at a point in time, and then we'd have a look at that in more detail.

Senator CANAVAN: So it is a self-assessment regime, a bit like the tax act, I suppose—people put in returns. There's not a specific level of compliance here. But, like the ATO, do you go and audit certain organisations from time to time?

Mr Rogers: This is the compliance review program that we do every year with a number of entities.

Senator O'SULLIVAN: What are your coercive powers in that instance?

Mr Rogers: We do have the power to, under section—

Mr Johnson: Section 316.

Mr Rogers: 316, actually issue a notice, effectively, of compliance to ask people to comply with the—I don't have the act in front of me, but it's effectively a notice of compliance, which we've used previously to get entities to comply with our directions and to produce documents, particularly if we feel that the reporting entity has documents in their possession. That's kind of part of the test, and we can issue that notice, which we've done previously.

Senator CANAVAN: You have done that in the past?

Mr Rogers: We've done that with other entities in the past.

Senator CANAVAN: Have you done that in respect of compliance with the foreign donations and exclusions and reporting?

Mr Rogers: No, we haven't. Given that's relatively new, we haven't yet done that.

Senator CANAVAN: Do you have plans to do some—keeping in mind: I'm not asking for compliance here. I might have misused the term there. I'm more asking, in this vein, about auditing. So you might not have a suspicion that something has gone wrong, but, like with the tax act, the tax office go through and randomly pick people and say, 'You're up for an audit.' Have you done that yet with the foreign donations?

Mr Rogers: Not specifically with foreign donations, but we do do a random series of compliance reviews, where we look at a range of the obligations of that reporting entity.

Senator CANAVAN: Do you have plans to do any auditing or compliance in relation to the foreign political donations soon? I realise it's early days, but—

Mr Rogers: That will be part of the compliance program. As we look at entities, that would be one of the factors that we would consider as we look at that.

Senator CANAVAN: I'd like you to, on notice, if it's alright with you, look into the particular example of Greenpeace Australia Pacific here, which prima facie at least seems to be an indication of where a charity is spending well over the amount on electoral campaigning. The other thing is: in terms of annual disclosure returns in these auditing and compliance activities, do you have a look at whether or not entities need to register as a political campaigner? I said earlier that if you—

Mr Rogers: I understand the question.

Senator CANAVAN: Apparently, under the law, you've got to register as a political campaigner if you accept foreign donations of \$1,000 or more and \$100 or more where those are used for electoral expenditure.

Mr Rogers: Obviously political campaigners have to self-register, and I think in the act it says they've got 90 days from the first period when they become aware that they're a political campaigner to register as such. If we become aware of public information where it's obvious to us that a political campaigner should be registered, we will approach that political campaigner and ask them to register.

Senator CANAVAN: Well if you could take on notice whether or not Greenpeace Australia Pacific has registered as a political campaigner and/or whether you're asking them whether they should register as such, given the information—

Mr Rogers: Or a third-party campaigner. They're registered as a third-party campaigner.

Senator CANAVAN: Is that the same as a political—

Mr Johnson: A third party doesn't have to register. A third party puts in the returns. For example, with a political campaigner and the introduction of that category at the start of last year, we wrote to, in part of our education notification to all third parties, and advised them that, to become a political campaigner who has to register, there needs to be electoral expenditure of \$500,000 or more in a year. So we wrote to and advised, and then a number of groups registered as political campaigners last year.

Senator CANAVAN: Just to clarify: a third-party political campaigner is different to a third-party campaigner, you say?

Mr Johnson: Just a third-party party.

Senator CANAVAN: A third party is different to a political campaigner?

Mr Johnson: Yes.

Senator CANAVAN: And Greenpeace Australia Pacific have registered as a third party?

Mr Johnson: They don't have to register. If they spend more than the disclosure threshold, they put in an annual return, and then if they're aware that they're going to spend more than \$500,000 in a year on electoral expenditure, then they have to register.

Senator CANAVAN: As a political campaigner?

Mr Johnson: As a political campaigner.

Senator O'SULLIVAN: And their obligations to report would be across that entire year, not just from the moment they register—is that correct?

Mr Johnson: Yes, for the financial year.

Senator CANAVAN: Just on this \$500,000 figure, Mr Johnson earlier I thought you mentioned that the charities must register as a political campaigner if they accept foreign donations of \$1,000 or more?

Mr Johnson: No.

Senator CANAVAN: That's not correct, then?

Mr Johnson: No.

Senator CANAVAN: I read that earlier. I thought you indicated that that was the case.

Mr Johnson: No, not about registering. The requirement to register as a political campaigner is if that charity is then spending over \$500,000 on electoral expenditure.

Senator CANAVAN: I've got it. Sorry, I've misread this. You're saying: if they meet the definition of a political campaign, then they must not accept foreign donations of \$1,000 or more?

Mr Johnson: Yes, that's correct.

Senator CANAVAN: Okay, got you, right. What are the consequences in the law if electoral expenditure is not fully disclosed?

Mr Johnson: That is an offence, not disclosing electoral expenditure. Again, as the Electoral Commissioner has explained, our process is to work with organisations, people and entities participating in the electoral process to report such matters as electoral expenditure.

Senator CANAVAN: I now move to some questions that, I think, will cross over to the charities commission. If you don't know the answer, you can take it on notice, and I'm sure you can consult with them. In the ask for funding that I referred to that Greenpeace made to fund political polling and advertising, they stated, 'Donations of \$2 or more will be placed in the Greenpeace Australia Pacific trust fund and are tax deductible.' Keep in mind this is an ask to run ads in Liberal electorates and they were claiming that donations of \$2 or more are tax deductible. Is it correct that donations used for political purposes—or at least the claim was to be used for political purposes—are tax deductible?

Mr Rogers: I think we are straying well outside the Electoral Act here. I think that's a matter for the charities.

Senator CANAVAN: And possibly also Treasury as well, under the tax act. If you could just—

Senator Seselja: That will be on Thursday.

Senator CANAVAN: Good, we will come back. Again, charities can't have the purpose—I think it is the primary purpose test—of opposing a political candidate. I realise you are not the charities register but clearly you have insight into whether organisations are promoting or opposing a political party or candidate. Do you ever refer examples that have nature to the ACNC?

Mr Rogers: I would have to take that on notice whether we have ever done that. It is not something that would come to our attention normally. It would be a matter for the charities commission to examine.

Senator CANAVAN: I have other questions but I will put those on notice.

Senator SCARR: I won't be long. On the issues Senator Canavan raised in relation to foreign donations, I note the GetUp political campaigner disclosure return for the financial year 2018-19 discloses in part 2 amounts of more than \$13,800 received, and one of those amounts is from an organisation called European Climate Foundation, which has a postal address in the Netherlands.

Mr Rogers: I'm presuming, if that is the case for that particular financial year, that that donation would have been received before the cut-off date, 1 January 2019. It is to be reported in that financial year but it would have been before the cut-off date, so it was still legal at that point.

Senator SCARR: Do you know that for sure?

Mr Rogers: I don't off the top of my head. I am making a presumption there.

Senator SCARR: Is that something you can take on notice?

Mr Rogers: Sure.

Senator SCARR: Obviously I can't tell on the face of that whether or not it was before or after, but you've taken that on notice. In terms of moving forward, an organisation such as GetUp!, which is a political campaigner—at the moment at least—and is disclosing electoral expenditure, now that the prohibition is in place, could they still accept foreign donations?

Mr Rogers: There are similar restrictions on political campaigners as there are on parties, I think.

Mr Johnson: Yes, that's right. Under section 302D, they are prohibited from accepting foreign donations and, for any donations over \$1,000, there is a requirement to have someone affirm that they are not a foreign source. Donations over the threshold actually seek evidence from a person or entity making a donation over the donation threshold, which is \$13,800, that they are not a foreign donor.

Senator FARRELL: I would like to ask some questions about AEC funding. You would be aware that there was some commentary recording the usability of the AEC's website and transparency register. In 2018 the Senate Select Committee into the Political Influence of Donations said the current usability of the AEC website to access data is poor and requires significant upgrading. The committee went on to recommend:

... that the Australian Electoral Commission ensures that the presentation of political finance data on their website provides greater accessibility and functionality of files to facilitate public research and investigation.

I have had some reports that the AEC's transparency register is even less functional than in the past. Could you tell us what changes have been made since the last federal election to the functionality of the register?

Mr Rogers: I might start off and then get the deputy commissioner to join in as well. I think that previously, just to be very clear, the website was about as clear as it could be given the funding envelope we had at that point in time. A lot of my staff worked very hard to produce the information and to put it on publicly. I would also point out that whilst that information on the website was dense, it was accessible and was accessed by media and a whole range of academics, and information was published fairly regularly. We then made some changes to that and, in fact, I would have to say, genuinely, it is the first time I've had that feedback; in fact, the reverse: We are seeing a high take-up of our new system. It is now fully searchable. In fact, in December of last year or it might have even been November, we put historical information in a searchable format as well. We did receive funding for that and we continue to make changes to it, but I'm actually pretty comfortable with the processes we have in place and with where we are at the moment compared to where we were. I don't know whether the deputy commissioner has anything to add to that.

Mr Pope: We just updated the register, so I'm not sure the date of the comments but they were just updated before political party returns were published at the start of February. I'm not aware, like the commissioner, of any feedback that has come to us. In fact, I've heard feedback of quite the opposite.

Senator FARRELL: In preparation for the implementation of the transparency register, was there any consultation with stakeholders or any testing undertaken?

Mr Rogers: Absolutely testing. We test everything we do for obvious reasons. In terms of stakeholder engagement, I think, at the very least we wrote out to stakeholders explaining what we were doing. In fact, I think we did that some time, from memory, before the event—I'm looking around for confirmation. We certainly did write out to explain the process and explain what we were doing and the functionality of the website.

Senator FARRELL: Is work being done to upgrade the transparency register and website to allow greater functionality and transparency of donations?

Mr Pope: As I said, we upgraded a version just before we published political donations at the start of February. That project remains underway. We still have more work to do, so there should be further enhancements throughout the course of this calendar year.

Mr Rogers: Just to back up your line of questioning, we understand how important this is, because transparency is a critical part of the process, which is why we are going the extra mile to load up historical data and make that searchable and easy for people to find.

Senator FARRELL: You may be aware that the Labor Party has a bill before parliament to introduce a real-time disclosure regime. Senator Lambie has also got a bill for the same thing. Would the AEC website, as it is currently designed, be able to provide for real-time disclosure?

Mr Rogers: I would really need to look at that in quite some detail. My gut feel is 'no', but I do not want to mislead you. Real-time disclosure is a significant issue, and we would really need to make sure we were capable of doing that and that won't be a simple process. I don't know whether the deputy commissioner has—

Senator FARRELL: So what have to be done in order to ensure that real-time disclosure could be—

Mr Rogers: Part of it would depend on the actual legislation itself and what that requirement is, so it is very difficult for us to forecast until we saw an actual concrete set of recommendations.

Senator FARRELL: There are some states that have it already, are there not?

Mr Rogers: I don't think real-time but near to real-time.

Senator FARRELL: Near to real-time, so Queensland would be one?

Mr Pope: That's correct.

Senator FARRELL: Have you had calls at any stage to have a look at how it operates up there?

Mr Rogers: We have had a look at their system. We have liaised with the Queensland electoral commission. Their legislation is a specific piece of legislation for them, but we have had a look at their system.

Senator FARRELL: You would say that at the moment your system wouldn't be able to do what the Queensland system does?

Mr Rogers: Right now, no. I'm happy for someone to correct me. I'm nervous, because it could be in a number of different formats and we would really need to see the final format of the legislation before I answer that in some sort of detail.

Senator FARRELL: Have you personally played around with either the Queensland or the South Australian portals?

Mr Rogers: No, but I have seen it. I might be corrected here and someone will jump forward if I'm wrong, but I think we had a visit from the Queensland electoral commission before the last election and they gave us a viewing of what they have done. I am a member of the Electoral Council Australia and New Zealand and we speak to our other colleagues relatively regularly in that forum and I am aware of what they do.

Senator FARRELL: Did you form any views about that user-friendliness or otherwise of the Queensland program?

Mr Rogers: I am loath to comment on any of the state electoral commissions. I'm sure their system is great for them for their legislation, but again we need to have a look at our own legislation before we pass comment on them.

Senator FARRELL: Would you have sufficient funding at the moment to implement a real-time disclosure regime?

Mr Rogers: Again, we would have to be funded for a specific initiative to do that and we wouldn't have that funding.

Senator FARRELL: I would like to ask some questions about whether the current funding is sufficient to enforce a lower donations and disclosure threshold. Again, I've got private senators' bills that are proposing to lower the disclosure threshold from its current figure of around \$14,000 to \$1,000. Would you be able to provide us with any data on how many more donors would be captured if the disclosure threshold was lowered to \$1,000?

Mr Rogers: That would be a mammoth task and we're not set up to capture that data. We would actually have to create a program to somehow capture that data. Given that individuals would not have declared those donations if they're below the threshold, it would be impossible to stitch together that information in any meaningful way—but more, obviously.

Senator FARRELL: More what?

Mr Rogers: More work in terms of capturing the data. We don't currently capture it.

Senator FARRELL: Can you think of a way that you could?

Mr Rogers: Anything is possible. If parliament asked us to do something, we would pull out all stops and away we would go.

Senator FARRELL: You would do it, yes. Does the AEC currently have the capacity to enforce a lower threshold?

Mr Rogers: If parliament asked us to enforce a lower threshold—and I'm being very clear here; I don't have a view on the threshold—

Senator FARRELL: No, and I haven't asked you to comment on that.

Mr Rogers: we would need to cost that and we would need to work with government on the implications for that. But I would presume that there would be an increased cost with compliance and a range of other issues. This is off the top of my head.

Senator FARRELL: If you had to comply with real-time disclosures, it would have to have additional funding.

Mr Rogers: Yes.

Senator FARRELL: I want to raise an issue which relates to the Northern Territory and, in particular, the suggestion that there's going to be a predicted shortfall in the Northern Territory's population when the cut-off point comes for the consideration of these things and the potential that that creates to reduce the number of seats in the Northern Territory from its current number of two back down to just one for the whole of the Northern Territory. Given the possibility of that redistribution, the Parliamentary Library has predicted, based on population projections, that there would be a loss of one of the two federal seats. I understand that you spoke about this in December when you appeared at JSCEM's inquiry into the 2019 election. To the best of your predictive abilities, do you expect a redistribution would result in a loss of a seat in the Northern Territory?

Mr Rogers: I've been careful not to give that specific prediction. Let me perhaps comment on the Parliamentary Library's work. I have seen that work and it looks pretty good to me. But, as commissioner, I am not making any prediction about what might happen. But, if you look at that report, and indeed reports of other commentators, publicly people are saying that the Northern Territory would go down to one seat, WA would potentially lose a seat and Victoria would gain a seat. That is the public information, but we won't know that until we actually make the declaration.

Senator FARRELL: Can you run through what the steps are between now and when those determinations would be made.

Mr Rogers: As I think I may have mentioned previously, under the act I am required to undertake a specific process 12 months after the first sitting day of the House. That means this can't commence until 3 July 2020 at the earliest. I conduct a process using population data provided to us by the Australian Statistician at the ABS. The relevant population data is currently scheduled to be published by the ABS, as I understand it, on 18 June this year. That is when they are due to publish that information. Should I then determine that the number of members for a state or territory has changed, we will start a redistribution process. As we have just spoken about, there's some speculation about where that might be.

As you've just said, there is also speculation that the NT would then go down to one seat. I am looking at the acting chief legal officer here, but, as I understand it, when that last occurred, in 2003, parliament inserted a subsection into section 48 of the Electoral Act to set aside that proportion of the then Electoral Commissioner's determination as it applied to the Northern Territory and reverted the Northern Territory back to two members until, I think, the next determination of entitlement was made. I'm not sure what year the next determination of entitlement was. So my understanding is that, if I make a declaration that the Northern Territory is entitled to only one seat, absent action by parliament it will revert to one seat. The acting chief legal officer might just confirm that.

Mr Johnson: That is correct.

Senator FARRELL: Those figures that are released on 18 June are figures of the total population, not the voters; is that right?

Mr Rogers: That is correct.

Senator FARRELL: The figures you look at our absolute population figures.

Mr Rogers: That's correct.

Senator FARRELL: You don't happen to know what the crucial figure is for the Northern Territory?

Mr Rogers: I don't have that with me, I'm sorry.

Senator FARRELL: So it's possible, for instance, that one outcome is that every state does meet the requirement. So: the NT has enough for two seats; WA has enough for whatever they have—what have they got? 16 is it?—

Mr Pope: Fifteen.

Senator FARRELL: and Victoria doesn't have enough to go up one. In that case, does that mean that there would be no redistribution in this?

Mr Rogers: The second trigger for a redistribution is that seats are redistributed every seven years, absent that population trigger, and I don't have that in front of me—whether we're facing any of those at the moment or not. I don't think so.

Mr Johnson: I don't think there's, immediately, a seven-year trigger.

Mr Rogers: I think we've done every state over the last—

Senator FARRELL: Sorry—just remind me: what is the seven-year trigger?

Mr Rogers: Mr Johnson just might read out the relevant section.

Mr Johnson: The relevant section is section 59, the grounds for redistribution, in section 59 subsection (2), which is basically saying: the grounds for redistribution are either under subsection (2)(a), a determination that's made by the Electoral Commissioner, based on that evidence that's provided by the Bureau of Statistics. Paragraph (b) reads:

... whenever it appears to the Electoral Commission, from statements published under subsection 58(1), that more than one-third of the Divisions in the State are, and have, for a period of more than 2 months, been, malapportioned Divisions—

So that's a kind of technical one. Then the third one is: if there hasn't been a redistribution under either of those first two paragraphs for a period of seven years, then that's a trigger for a redistribution.

Mr Rogers: And, given we've done, I think, every state and territory over the last two electoral cycles, I don't think the seven-year thing will apply anyway.

Senator FARRELL: Right. So really the only trigger now is by virtue of the population figure?

Mr Rogers: Yes.

Mr Pope: Or the malapportionment.

Mr Rogers: Which will not occur.

Senator FARRELL: Yes, that's what I thought you were saying. So there's only one potential trigger, now, which is population?

Mr Rogers: Yes.

Senator FARRELL: If the Northern Territory were to be reduced to one seat, what would be the number of voters in that seat? Do you have that figure for us?

Mr Pope: I can tell you at the moment that there are approximately—I'm going off my memory here—

Senator FARRELL: I'm sure it's a good memory, Mr Pope.

Mr Pope: about 75,000 electors, I think, roughly, in both seats.

Senator FARRELL: So, if they shrink to one, that's—

Mr Pope: In fact, I think Lingiari might even be in the high 60s, if I remember correctly.

Senator FARRELL: So we are up to around the 140 or 150 mark—

Mr Pope: That's going off my memory.

Senator FARRELL: Yes. Would that be the highest? Would that then leave—

Mr Pope: Currently, yes. There are some other electoral divisions that have got around 110, or maybe a few thousand more, but that would be the largest.

Senator FARRELL: You do have this paradox, don't you, under the system, where this process looks at the population, but of course there's another factor, which is the voting age. In a place, for instance, like South Australia, where you've got a much older population, you can actually get very large numbers, even though your number of seats is declining. Would you agree that's a paradox?

Mr Rogers: Well, it's a factor.

Senator FARRELL: 'It's a factor'—okay, that's probably a better description. Is one of the factors in the Northern Territory the underrepresentation of the enrolment statistics? As I think we've talked about before, you've done a terrific job in lifting enrolment numbers around the country, but the reverse has been happening in the Northern Territory. Is that a factor in this consideration?

Mr Rogers: All factors go to making up the population of the state or territory being redistributed. I would probably point out that the Northern Territory enrolment rate is as high as it has ever been. In December, I think it was at 84.9 per cent. That is as high as the Northern Territory enrolment rate has ever been. As I think you and I have previously discussed at this committee, a rising tide lifts all boats in this regard. As you know, at the last election, the overall enrolment rate was at something like 97 per cent, which, we think, is the highest it has ever been, since Federation. It is a great result, with a large number of Australians, at the last election, having voted for the first time. It would be even better if the Northern Territory were higher. But not only is it at the highest rate it has ever been, but between 2016 and 2019 the Northern Territory enrolment rate increased by 2.8 per cent. That is ahead of the 1.8 per cent national rise. So, it is already rising at a higher rate than the rest of Australia.

Senator FARRELL: Your office basically closed in Darwin—

Mr Rogers: A reduced footprint.

Senator FARRELL: Yes, a significantly reduced footprint, which we have talked about many times. What do you put the fact that the enrolment figure is going up at a faster rate than for the rest of the country down to? Is that because there—

Senator Seselja: Sorry to cut you off. Before you answer that—I can be corrected if I am wrong about this—on your point about the enrolment rate, which obviously is going up but is lower than other parts of the country, I think the redistribution is based on ABS population

statistics rather than the enrolment rates. Even if there is a low enrolment rate, it would still take population into account.

Senator FARRELL: If you had been paying attention, I did make that point. We talked about the situation in South Australia, where you have this paradox—

Senator Seselja: I misunderstood you—I'm sorry, Senator Farrell. I thought you were making the point that the lower enrolment rate might affect their ability to have as many seats.

Senator FARRELL: I didn't want to interrupt the commissioner, because he was going through the enrolment statistics, which I think were of value to us, and quite interesting. I was going to go to a slightly different point, which is whether or not the statistics accurately reflect the population of the Northern Territory, given the nature of the population, its diversity, and so forth. I know you are bound by the legislation and the ABS statistics, but we have this situation where Indigenous populations move from South Australia to the Northern Territory and vice versa. Is there a way of taking those sorts of considerations into account when you ultimately are making this decision about what you will determine?

Mr Rogers: I know you understand this—we rely totally on what the ABS provides us. To be honest, it would be inappropriate for me to comment on what they do, and their methodology, and nor am I aware of what their methodology is. The act is very clear that we rely on the data provided to me by the Australian Statistician.

Senator FARRELL: There are no other external factors that you can take into account when you are making that determination?

Mr Rogers: No. Can I just track back on something I said. I stand by all those stats I gave you, because at that point we were talking about enrolment data, not population data, which, as we said, is a different issue. The determination I will make, as I said before, is based on the data we will get from the ABS. Enrolment data—different again. We are comfortable that we are making progress in the Northern Territory. Just to put it on record again, I would be more comfortable if it were at the same level as everybody else, and that is what we are trying to work towards.

Senator FARRELL: Why is it that the enrolment rate in the NT is faster than the national average?

Given what I was saying before about the reduced footprint in the Northern Territory, what are you putting that down to?

Mr Rogers: I've made it very clear, I think for this committee as well, that there has been no diminution of the service in our view. We've been working very hard to ensure that we focus on enrolment in the NT, without going down a different path, both Indigenous and non-Indigenous. We're working in partnership with a range of agencies. We're ensuring we're engaging with a broad range of communities, including Indigenous communities, through digital meetings as well. We've run a number of pilot programs, particularly in Indigenous communities, to create electoral awareness officers. I think we did that in three communities before the last election. We tried to leave a footprint in those communities with officers who've been educated in how to get people on the roll. The early evidence of that is that informality rates in those communities went down as well. We work closely with Services Australia and with the NT Electoral Commission. We're trying to focus on issues in the NT as well as the rest of Australia.

Mr Pope: And also, just to add to that, we've also got some Indigenous employees out in some of the service centres throughout some of the remote communities at the moment, targeting enrolment.

Senator FARRELL: At the moment? As we speak?

Mr Pope: Yes.

Mr Rogers: We're focusing on Indigenous and non-Indigenous, so hopefully that has contributed to this good result. Also I should, so I don't get—

Senator FARRELL: Yes, don't get carried away. I think at 84 per cent, it's not so good.

Mr Rogers: It's better than it was. I'm very conscious that, starting tomorrow, we have a meeting of the Electoral Council of Australia and New Zealand, with the state commissioners coming for a meeting, so allow me to do the right thing and also say that part of these results will also be the great work of our colleagues in the states and territories as well.

Senator FARRELL: Yes. By way of observation, the Northern Territory's Department of Treasury and Finance has predicted that the Territory's population will reach 251,727 by 2021, so presumably it's possible that when you do your calculation this year it falls below, but if you'd waited another 12 months it could be back to where it ought to have been?

Mr Rogers: Yes.

Senator FARRELL: There has been a lot of talk about constitutional recognition. Has the government sought any advice from the AEC about the potential or possible referendum on constitutional recognition of Aboriginal and Torres Strait Islander peoples?

Mr Rogers: There has been no formal advice sought from us about the matters that we would normally be consulted with in the fullness of time about the conduct of that.

Senator FARRELL: That completes my questions.

Senator O'SULLIVAN: So you'll start the process that you've just been describing after 3 July. How long will that take? When would you typically expect a determination to—

Mr Rogers: We will move as quickly as we can. There's a process. It will take us a little bit of time to go through that process to work out exactly what we're doing, but it will be a matter of weeks rather than months as we start to work through how we will do the process and how we will do the redistributions because, at the same time, we try, to the extent we can, to not clash if a state commissioner is doing a state redistribution at the same time. There is some planning that goes on, but it would be fairly soon after that, I would think.

Senator O'SULLIVAN: I'm a senator from Western Australia so of course this is of interest to me and some of my colleagues. You said that there are only a few factors that you really take into consideration. There are thoughts and rumours around, such as federation seats aren't considered. What are the other considerations that you take into account?

Mr Rogers: First of all, it's a transparent process. We have a two-stage process. We accept submissions and do a draft report and release that for public comment. Then there are public hearings and then we produce a final submission. There are a range of factors that we consider in terms of where the seat boundaries lie. They're outlined in the electoral act, but, of course, it's a demographic issue. You've got to try and come within a particular range to make sure that, to the extent possible, there's equal representation. Also there are some other factors as well in the act about ensuring, to the extent that you can, you are future-proofing the

redistribution, so you look at where growth might be as well. On the bit about federation seats that you're talking about, I think you're referring to some guidance that we receive from the Joint Standing Committee on Electoral Matters that talks about the naming conventions. I think one of those bits of guidance we've received from the joint standing committee is that, to the extent possible, federation names should be preserved.

Senator O'SULLIVAN: But the lines on the map will change.

Mr Rogers: Yes.

CHAIR: One final question on the redistributions: Mr Rogers, do you know what the rationale of the parliament was when it set up the one year after the first sitting for the timetable—

Mr Rogers: I do not.

CHAIR: As there are no further questions for the AEC, I thank them very much for their evidence and attendance here this evening. That concludes today's examination of the Finance portfolio. The committee will continue its examination of the cross portfolio on Indigenous matters on Friday. I thank Hansard, broadcasting, the secretariat and all witnesses for their assistance.

Committee adjourned at 09:35