



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FINANCE AND PUBLIC ADMINISTRATION
LEGISLATION COMMITTEE

Estimates

WEDNESDAY, 21 OCTOBER 2020

CANBERRA

BY AUTHORITY OF THE SENATE

INTERNET

Hansard transcripts of public hearings are made available on the internet when authorised by the committee.

To search the parliamentary database, go to:

<http://parlinfo.aph.gov.au>

SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE

Wednesday, 21 October 2020

Members in attendance: Senators Ayres, Bragg, Gallagher, Lines, McKim [by video link], McLachlan, O'Neill, O'Sullivan, Paterson, Patrick, Scarr, Waters, Wong.

FINANCE PORTFOLIO

In Attendance

Senator Cormann, Minister for Finance

Department of Finance

Executive

Ms Rosemary Huxtable PSM, Secretary, Department of Finance

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 Amanda Lee, First Assistant Secretary, Budget and Financial Reporting

Mr Scott Austin, Acting 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

Dr Stein Helgeby, Deputy Secretary, Governance and Resource Management

Ms Tracey Carroll, First Assistant Secretary, Governance and Resource Management

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

Mr Rod Schreiber, Acting First Assistant Secretary, Governance and Resource Management

Ms Clare Walsh, Deputy Secretary, Business Enabling Services

Ms Vivianne Johnson, First Assistant Secretary, Business Enabling Services

Mr John Sheridan, First Assistant Secretary, Business Enabling Services

Mr Iain Scott, First Assistant Secretary, Business Enabling Services

Mr Grant Stevens, Chief Financial Officer, Business Enabling Services

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

Mr Andrew Danks, Acting First Assistant Secretary, Commercial and Government Services

Mr Hew Atkin, Assistant Secretary, Commercial and Government Services

Mr Matthew Whitfort, Assistant Secretary, Commercial and Government Services

Mr Gareth Sebar, Assistant Secretary, Commercial and Government Services

Dr Stein Helgeby, Deputy Secretary, Governance and Resource Management

Ms Tracey Carroll, First Assistant Secretary, Governance and Resource Management

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

Mr Rod Schreiber, Acting First Assistant Secretary, Governance and Resource Management

Mr Neil Robertson, Assistant Secretary, Governance and Resource Management

Mr Grant Stevens, Chief Financial Officer, Business Enabling Services

Ms Trish Johnston, Assistant Secretary, Governance and Resource Management

Ms Lucelle Veneros, Acting Deputy Secretary, Shared Services Enterprise Resource Planning Transformation

Mr Josh Ryan, First Assistant Secretary, Shared Services Enterprise Resource Planning Transformation

Ms Clare Walsh, Deputy Secretary, Business Enabling Services

Ms Vivianne Johnson, First Assistant Secretary, Business Enabling Services

Mr John Sheridan, First Assistant Secretary, Business Enabling Services

Mr Iain Scott, 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 Clare Walsh, Deputy Secretary, Business Enabling Services

Mr David De Silva, First Assistant Secretary, Business Enabling Services [by video link]

Ms Lauren Barons, Assistant Secretary, Business Enabling Services

Mr Brent Heaver, Assistant Secretary, Business Enabling Services

Ms Dana Sutton, Assistant Secretary, Business Enabling Services

General

Mr John Sheridan, First Assistant Secretary, Business Enabling Services

Mr Iain Scott, First Assistant Secretary, Business Enabling Services

Mr Grant Stevens, Chief Financial Officer, Business Enabling Services

ASC Pty Ltd

Mr Stuart Whiley, Chief Executive Officer and Managing Director [by video link]

Mr Ashley Menadue, Chief Financial Officer [by video link]

Australian Naval Infrastructure Pty Ltd

Mr Andrew Seaton, Managing Director and Chief Executive Officer [by audio link]

Future Fund Management Agency

Dr Raphael Arndt, Chief Investment Officer [by video link]

Ms Sue Brake, Acting Chief Investment Officer [by video link]

Dr Stein Helgeby, Deputy Secretary, Governance and Resource Management, Department of Finance

Mr Scott Dilley, First Assistant Secretary, Governance and Resource Management, Department of Finance

Mr Neil Robertson, Assistant Secretary, Governance and Resource Management, Department of Finance

Commonwealth Superannuation Corporation

Mr Damian Hill, Chief Executive Officer

Mr Andrew Young, Chief Operating Officer

Dr Stein Helgeby, Deputy Secretary, Governance and Resource Management, Department of Finance

Mr Scott Dille, First Assistant Secretary, Governance and Resource Management, Department of Finance

Mr Neil Robertson, Assistant Secretary, Governance and Resource Management, Department of Finance

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 [by video link]

Mr Tim Courtney, First Assistant Commissioner

Ms Lynn White, First Assistant Commissioner

Mr Thomas Ryan, First Assistant Commissioner

Mr Andrew Johnson, Acting Chief Legal Officer

Committee met at 09:00

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 budget estimates for 2020-21. It will hear from the department and the 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. Senators, departments and agencies have been provided with advice on arrangements in place to ensure budget estimates hearings are conducted in a safe environment. This guidance is also available from the secretariat. The committee appreciates the cooperation of all attendees in adhering to these arrangements.

The committee has before it a program listing agencies and outcomes relating to matters for which senators have given notice. The committee has fixed 4 December 2020 as the date for the return of answers to questions taken on notice. The committee has also scheduled further hearings tomorrow for the Finance portfolio, and Friday to examine the 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 department and agencies 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. This will be incorporated in the *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 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 seek to incorporate longer statements into the *Hansard*.

ASC Pty Ltd

[09:02]

CHAIR: I welcome Senator Cormann, the Minister for Finance, and Ms Huxtable, Secretary of the Department of Finance. I also welcome Mr Stuart Whiley, Chief Executive Officer and Managing Director of ASC Pty Ltd. Ms Huxtable, do you wish to make an opening statement?

Ms Huxtable: No.

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

Mr Whiley: No, thank you.

Senator WONG: Can I start with the decision that we have discussed before, in relation to the full cycle docking of the Collins class. Where is that decision at—the location of FCD?

Senator Cormann: It's obviously a matter for the government. The government is considering the appropriate and best way forward, and the decision will be made when those considerations have been finalised.

Senator WONG: Mr Whiley, when do you understand the decision will be made by?

Senator Cormann: Mr Whiley would not have visibility of when. He has got no visibility of the timing of a decision of government, which is a decision that will be made through our National Security Committee.

Senator WONG: We've had this discussion before. I'm asking him about what they've been advised; he does have visibility of that, Senator Cormann. Mr Whiley, what is your understanding of the time line for decision on the location of FCD for the Collins class?

Mr Whiley: We have been given no visibility of that time line.

Senator WONG: None at all?

Mr Whiley: No.

Senator WONG: So what are you planning in terms of workforce and location? Have you made any plans, for example, as to contingency plans as to be what would be required if FCD was moved?

Mr Whiley: We continue to operate on the status quo until a decision is made.

Senator WONG: So does that mean there has been no contingency planning on a move?

Mr Whiley: There has been no contingency planning on a move.

Senator WONG: For how long has this decision been before government? Can anyone tell me?

Senator Cormann: It's a matter that is clearly not required to be resolved immediately, because there is still some time before relevant next steps in relation to other processes will play out. The decision will be made in the national interest as soon as all of the proper considerations have been finalised.

Senator WONG: This has been before government for quite a long time. There was media reporting, I think, of a cabinet meeting in Adelaide in December—I think we had some discussion about it at estimates—where this was supposed to have been resolved but wasn't. I'm just trying to understand—

Senator Cormann: That media speculation was clearly uninformed.

Senator WONG: Well, this is your opportunity to inform us. I'm not even asking anymore what you're going to do. I'm asking when you are likely to make a decision by.

Senator Cormann: I'm not going to put a time on it here for you today. All I can say is a decision has not yet been made, because the considerations haven't been finalised. The decision will be made in the national interest. Our key consideration is to ensure that we have the most appropriate arrangements in place to guarantee the ongoing availability of our nation's submarine capability as we transition from the Collins class submarines to the fleet of 12 Attack class submarines. There are a range of considerations that are relevant to this. When all of that work and all of that internal discussion has been finalised, a decision will be made in the national interest. As soon as that decision has been made, it will be announced.

Senator WONG: Mr Whiley, ASC is tasked with maintaining a critical capability, which is our submarine capability; correct?

Mr Whiley: Yes, it is.

Senator WONG: There are substantial lead times. Were the government to make a decision to move full cycle docking to Western Australia, that would require a substantial degree of planning and a substantial degree of work to ensure that that move did not negatively impact upon our capability, in particular MRDs; correct?

Mr Whiley: That's correct.

Senator WONG: What sort of lead time, were such a decision made, do you, as someone who has been in charge of ensuring this critical capability is available to the nation, think would be required to minimise the risk of an effect on capability from such a move?

Mr Whiley: That's a fairly complex question. In advice to government we have provided a number of scenarios [inaudible] scenarios to make decisions. It relates to when we deliver full cycle docking in Western Australia and the time it then takes to prepare [inaudible] to build the work force.

Senator WONG: I understand that. And I'm not even getting to life-of-type extension, because that's an additional requirement that would come on top. I'm trying to understand, from your perspective, if you are told: 'Okay, we're going to move FCD', what would your view be about how long would be needed to ensure a minimal effect on submarine capability? Are we talking two years, four years, six years?

Mr Whiley: I would be estimating in the order of six years.

Senator WONG: Six years. And FCD happens every two years—it's a two-year cycle, correct?

Mr Whiley: That's correct.

Senator WONG: We're at 2020. On the basis of that, your view would be that the earliest a move could occur would be 2026 or beyond?

Senator Cormann: That has always been—

Senator WONG: Sorry, Senator Cormann; I'm asking Mr Whiley.

Senator Cormann: But that is not new. That has always been the position.

Senator WONG: I'm asking him a question. Could he please be allowed to answer it? It's a reasonable question. Mr Whiley, I asked you a question.

Mr Whiley: The earliest I believe we could move is 2026.

Senator WONG: But in order to have the six-year lead-in that you reference, a decision would need to be made this year. Is that correct?

Mr Whiley: It's a very complex question—

Senator WONG: It's not, actually: 26 minus six is 20, isn't it?

Mr Whiley: You can look at it at that high level, Senator, but there are number of attributes relating to the FCD workforce, and they all interplay. That was a cumulative position. I think the decision doesn't have to be made this year for 2026, but it's in the order of six years.

Senator WONG: In the order of six years. Okay, let's have a little bit of flexibility: so if it was within the next six months, you'd get 5½ years. Yes?

Mr Whiley: Yes, that would be correct.

Senator WONG: And if 'optimal' is six years, then what I'd suggest to you is that each diminution of that, each lessening of that, creates greater risks in terms of potential effect on capability.

Mr Whiley: The announcement says that there are, obviously, risks, and we'd have to mitigate those. But the work we've done to date shows we can mitigate those risks, and I'm confident we could, whether it's stay or go, we can continue to deliver on availability.

Senator WONG: You're talking about risk mitigation, and I think you pointed out that, in any venture such as this, there are risks and there are ways in which you mitigate them. We're familiar enough with your work to know that you would work very hard on that. But one of the ways in which risk is mitigated is by lead time, correct?

Mr Whiley: That is a mitigation, yes.

Senator WONG: Thank you. What you've said is around six years is the sort of lead time that you'd require to mitigate risk?

Mr Whiley: Approximately, yes.

Senator WONG: Can someone then explain to me why the Prime Minister said in September when he came to South Australia that the location of FCD is 'not a decision that is pressing', and that, right now, it is not a priority decision?

Senator Cormann: I can tell you precisely why he said that: because we're dealing with a whole series of other priorities right now. I think everybody knows that in 2020 the biggest priority we've been dealing with is to guide Australia safely through the impacts of a one-in-100 year pandemic. That has obviously occupied a lot of our minds. In relation to the naval shipbuilding program, we've been progressing, as swiftly as we can, a very substantial infrastructure development program and the initiation of a very substantial shipbuilding program. We're working our way through this in a sequential way. There are obviously a number of interrelated moving parts, and the decision will be made in the national interest at the appropriate time. The decision is not going to be made from the opposition. The decision is not going to be made based on an opposition timetable. The decision will be made on the basis of the government's judgement on when it is right to do so because we have all of the information, all of the advice and all of the comfort and confidence that it is the right decision in the national interest.

Senator WONG: So when will you make it?

Senator Cormann: As soon as we've come to the conclusion of our considerations and are satisfied that we are in a position to make a decision that is in the national interest.

Senator WONG: I assume you're not saying that the pandemic, which everybody knows is here, is somehow an excuse to defer decisions which are necessary for the nation's national security.

Senator Cormann: It's not an excuse at all but it's a context and an environment. Clearly, that was the Prime Minister's first visit to South Australia for some time as a result of the pandemic and restrictions on all our movements that have been in place for some time. A lot

of things inevitably have been impacted in 2020, and I think that any reasonable person around Australia would understand that. The bottom line is this: the program to build and introduce the 12 new Attack class submarines obviously goes over a very long period of time. The transition from Collins class to Attack class is going to be a very important transition and it will be important that all the decisions that are relevant to it are the best possible decisions, which is why we are taking the necessary time to make sure we make the best possible decisions.

Senator WONG: We're going to be here a long time if every answer's going to be that long and we get a lecture about the pandemic.

Senator Cormann: You can ask questions; I can answer them.

Senator WONG: I listened to you, Senator.

Senator Cormann: You're being patronising.

Senator WONG: I listened to you, and you made a whole range of assertions to which I won't respond. However, I am saying we had yesterday the two-year delay on your promise of the integrity commission, which you're blaming on the pandemic. We have a delay on a decision, which is relevant to the nation's national security, you're now blaming on the pandemic. There is a limit to how much you can blame on the pandemic. All I am asking for and you are unable to answer is: when will this decision be made? This is a decision—

Senator Cormann: And I've answered that.

Senator WONG: No, you haven't; you've given us Mathias gobbledegook again.

CHAIR: Order!

Senator Cormann: More patronising stuff.

Senator WONG: I don't know if that's patronising.

CHAIR: In any case, that's not—

Senator WONG: I invite anybody to watch that answer and—

CHAIR: the minister's correct title.

Senator WONG: Sorry: Minister Cormann's gobbledegook. Can I make this point: this is a decision which materially affects the nation's submarine capability. The timing of a decision on a move of full-cycle docking to another location potentially affects the nation's submarine capability. That is a national security issue. It is entirely reasonable for not just the opposition but the whole parliament, the workers and the nation to know when you are likely to make a decision, given the evidence is clearly that, in order to mitigate the risk of such a move, you would want a six-year lead-in. So I ask you again, Minister: when is the government going to make a decision on the location of full-cycle docking for our submarines?

Senator Cormann: Senator Wong, you can put this whatever way you want but you will not distract me from giving you precisely the same answer as I gave you before—that is, the government will make the decision when we are satisfied based on the information in front of us, the answers to questions that we are exploring and on all of the advice and analysis that we are in a position to make the best possible decision in the national interest. We will not be bullied by political pressure into making a rushed decision in relation to something that is one of the very important strategic decisions for our long-term national security. It's going to be

very important for us to take the necessary time at this point to get this decision right so that we put Australia on the strongest possible foundation and trajectory for the future when it comes to our national security settings. I repeat my answer: we will make the decision as soon as we are in a position to do so based on having properly considered all of the information, all of the advice, and based on being satisfied that we are in a position to make the best possible decision for our nation.

Senator WONG: Will you make it in the next three years?

Senator Cormann: I'm not going to give you—

Senator WONG: Will you make it in the next two years?

Senator Cormann: I am just not going to start—

Senator WONG: Will it take five years?

Senator Cormann: I'm not going to entertain these sorts of artificial games now. I've told you what the decision point is going to be.

Senator WONG: So it is 'it will take as long as we want and there is no timeline'?

Senator Cormann: It will be as soon as possible.

Senator WONG: What is as soon as possible?

Senator Cormann: It will take as long as necessary and it will be as soon as possible. As soon as possible is as soon as the government are satisfied that we are in a position, based on information and advice, to make the best possible decision in our national interest.

Senator WONG: What information and advice are you—I will withdraw that.

Senator Cormann: That goes to cabinet deliberations.

Senator WONG: I just withdrew it. Mr Whiley, you said you worked on some scenarios for government.

Mr Whiley: That's correct.

Senator WONG: When did you finalise those?

Mr Whiley: It was last June.

Senator WONG: So you had them for a year, Senator Cormann. What other information do you need?

Senator Cormann: The ASC is only one of a whole series of important inputs. Defence is the most significant input. ASC is a service provider; that's it.

Senator WONG: Mr Whiley, we think you are better than that. We defend you much more than that, and the workers too.

Senator Cormann: Stuart Whiley knows that ASC is a supplier when it comes to submarine—

Senator WONG: Service provider?

Senator Cormann: He is a service provider to Defence.

Senator WONG: I think you should go down to Osborne and tell those workers there.

Senator Cormann: Chair, we have the senator over there complaining about me not letting her finish.

Senator WONG: Fair enough, I have stopped.

Senator Cormann: Can I now provide an answer?

Senator WONG: Sure.

Senator Cormann: ASC clearly is a service provider to Defence when it comes to providing submarine maintenance services. I don't know what you are suggesting they are doing. Defence, on behalf of the Commonwealth, is obviously the one procuring services from ASC to provide those submarine maintenance services. ASC is one input into the consideration of government. When it comes to the national security related considerations, when it comes to the considerations around the appropriate transition from Collins class submarines to Attack class submarines, let me tell you, there are many more significant strategic and defence capability considerations at play. The government is considering all of these matters carefully, as the Australian people would expect us to do. We want to make sure that all the decisions made at the beginning are the best possible decisions and we are not going to be bullied into rushed decision-making based on artificial political timelines put forward by the opposition.

Senator WONG: On 29 November 2019, Senator Reynolds, the minister, had this exchange:

Senator KITCHING: When are you likely to make a decision on the location of the FCD?

Senator Reynolds: I can confirm—as I said about an hour ago—that a decision will be made by government by the end of the year.

Senator KITCHING: End of the calendar year?

Senator Reynolds: Yes, the end of this calendar year.

Senator KITCHING: In the next few weeks?

Senator Reynolds: Soon.

So what changed?

Senator Cormann: From my point of view, nothing changed. If you want to pursue that line of questioning, you have to ask in Defence estimates.

Senator WONG: No, I am asking you. At least defend Senator Reynolds—I mean, really. Minister, you have said today—

Senator Cormann: I am here as minister for the ASC, the service provider to Defence.

Senator WONG: You keep calling them that.

Senator Cormann: That's what they are.

Senator WONG: It's a pity you are retiring. You should go down to Osborne and tell all those workers there—

Senator Cormann: I go there regularly.

Senator WONG: Can I just say, tell all the workers there 'you know what? You are all service providers and we are not going to make a decision.'

Senator Cormann: That is a misrepresentation.

Senator WONG: 'And I won't even tell you when we will make a decision'.

Senator Cormann: What I am saying to ASC, as I have consistently, is we will make a decision when we are in a position and when we are satisfied that it is the best possible decision for our nation. ASC, an outstanding team of people who are service providers to Defence in relation to a very important part of our defence capability, would want to know that the government is going to make that decision when we are in the best possible position to make it, and that is very much in their interest as it is in the interests of the nation.

Senator WONG: Has he finished?

CHAIR: Senator Wong, you know that. You don't need my assistance to determine that.

Senator WONG: No, I never know. Is he taking a breath or is he finished?

CHAIR: The extended period of silence, I think, indicates probably yes.

Senator WONG: Often he starts again; I am just waiting to see.

CHAIR: I think you prompted that, Senator Wong. I think you had a role in that.

Senator Cormann: You are being incredibly rude this morning.

CHAIR: Minister, thank you. Senator Wong, you are capable of determining questions and answers.

Senator WONG: Minister, it isn't reasonable for you to just say 'rock up to defence and ask why the position changed'.

Senator Cormann: You—

Senator WONG: Let me finish—oh, please!

CHAIR: Please allow Senator Wong to finish.

Senator WONG: I hadn't even started a question.

Senator Cormann: I haven't said anything.

CHAIR: It was your breathing.

Senator Cormann: Apparently I'm not allowed to breathe, it's terrible.

Senator WONG: You are both senior cabinet ministers and you are here representing the government. It isn't reasonable for you to give an answer that is inconsistent with what Senator Reynolds said and then simply say, 'Go and ask Defence why the position has changed.' I am asking you. You are the Leader of the Government in the Senate, you are the shareholder minister of ASC, you sit on the NSC, so you should be able to tell me what has changed. The government's position, clearly, in November 2019, was that the decision would be made last year. I'm asking you why the decision was delayed.

Senator Cormann: The position of the government has always been that the decision would be made as soon as possible, which is as soon as we are satisfied that we have all of the information and all of the advice and all of the answers in front of us to ensure that we can make the best possible decision in our national interest about the future Collins class submarine maintenance arrangements, and that position remains the same position.

Senator WONG: That is not correct. The position of the government has not always been as you describe it. The position of the government, according to the nation's defence minister, a year ago, was that the decision would be made last year. That has now changed. I'm asking you why.

Senator Cormann: I repeat the same answer: the decision of the government has always been that we would make the decision as soon as possible, which is as soon as we are satisfied that we have all the information and all of the advice in front of us that enables us to make the best possible decision about future arrangements. It is important to us obviously to get this decision right. We're going to take the time to get this decision right and, at the appropriate time, when the decision is made, it will be announced.

Senator WONG: The problem is that's not what Senator Reynolds told the parliament last year. She said a decision would be made by the government 'by the end of the year'. That was in November 2019. What has changed?

Senator Cormann: Again, the position of the government has been and continues to be that we will make a decision as soon as possible, which is as soon as we are satisfied that we have all of the information, all of the advice in front of us, all of the answers to the questions we've been asking and when we feel we are comfortable that we are able to make the best possible decision for the future of our nation.

Senator WONG: How does it feel to sit there say 'black is white' and 'white is black'?

Senator Cormann: I don't agree with you.

Senator WONG: Senator Reynolds clearly said—I will read you the words—'a decision will be made by government at the end of this calendar year,' in November 2019. You are now saying that is not the position. What changed?

Senator Cormann: I'm saying to you again the position of the government has been all the way through that we will make that decision as soon as possible. The decision hasn't been made yet. It is a decision that will be made in the national interest when we are satisfied we got all the necessary information and advice in front of us to enable us to make the best possible decision.

Senator WONG: Mr Whiley, decision about the location of FDC is obviously something your workforce has a great interest in, correct?

Mr Whiley: Yes, we do.

Senator WONG: In our engagement with those workers and their representatives, it's an issue people are worried about.

Mr Whiley: I do get questions on the move, yes—potential move.

Senator WONG: Sorry—potential move, obviously. It goes directly to people's livelihoods, where they live. It has an effect on not only their work but their family, correct?

Mr Whiley: Potentially, yes, there would be an impact.

Senator WONG: Would you agree it would be better for the morale of your workforce if people had certainty?

Mr Whiley: I understand and empathise with the workforce in the current position. They are performing excellently in these times.

Senator WONG: They do.

Mr Whiley: I think having clarity for the future is something that we all wish for.

Senator Cormann: In South Australia, as a result of the decisions made by our government, the opportunities for workers in the shipbuilding industry are better than they

have ever been. There will be thousands of additional jobs as a result of the investments we've made, which is in stark contrast to the lack of decisions that were made by the previous government in relation to our naval shipbuilding requirements. I think you'll find that workers in South Australia have got many more opportunities as a result of our decisions than they've ever had.

Senator WONG: In terms of this decision, which you're not able or don't wish to give us a time line on, there has been quite a number of different positions from the government over the years. In March of 2018, Minister Pyne was asked by Mr Byner:

So you can guarantee them, as Defence Minister, that the 700 jobs and possible other 2000, which Rex Patrick alleges are at risk, that is not so. None of those jobs will go to WA?

Minister Pyne replied:

There are no plans to move the full cycle docking of the Collins class submarine from Osborne to Henderson.

That was in December 2018.

Senator Cormann: And that was no doubt accurate at that point in time.

Senator WONG: Of course, but things change, don't they?

Senator Cormann: Clearly there was a consideration in government that was initiated subsequent to that, which hasn't led to a decision yet.

Senator Patrick interjecting—

Senator WONG: My colleague Senator Patrick is reminding me of the FCD transition study, which I think we've discussed previously.

Senator Cormann: This would all be on the public record.

Senator WONG: Yes, that's true. But that was being discussed in 2018, near when Mr Pyne was saying—

CHAIR: Speaking of your colleague Senator Patrick, I would offer him the call shortly, Senator Wong.

Senator WONG: Sure. We have had a discussion. I've asked him if I could have a bit longer now, because I have to leave to go somewhere else and we're happy for him to go later. We don't think we'll be as long with, think it was, the Future Fund and the—

CHAIR: The Commonwealth Superannuation Corporation?

Senator WONG: Yes. We think the amount allocated in the program is less likely, so, if that is convenient—

CHAIR: That's fine.

Senator WONG: Thank you. Sorry, I got distracted. In March 2018 Minister Pyne said there were no plans. Then you have your interim study about moving the FCD's. In January 2019 CASG also provided a draft letter to ASC, which included four options for the consideration of transitioning full-cycle dockings to Western Australia. I think that might be the work that you describe, Mr Whiley. It was relevant to that. The options were as early as possible—that was 2019—with full cycle docking beginning in the year 2022-23, with alternate full cycle docking in 2024-25 and a late date full cycle docking for 2026-27 and continued Collins sustainment at Osborne. This has been on the cards for some time. We had

the Defence minister last year saying a decision would be made last year. We now have the Finance minister saying he won't give us a time line for the decision.

Senator Cormann: I've got to say, I've been consistent all the way through in relation to this. I think you'll find, if you look at any comment I have made at any one point in time, that I've always said we would make the decision as soon as possible and when we are in a position to be satisfied that we can make the best possible decision based on the advice and information and with the answers to the questions we have asked in front of us. Obviously, that is something that will have to be dealt with. It will be dealt with as soon as possible, but we will take as long as we need in order to get the decision right. I think that is the responsible and appropriate course of action.

Senator WONG: The problem you have is that the Defence ministers of the nation have given different information to the country. Senator Reynolds, again, gave a position different to yours. She was asked specifically whether or not the decision on full-cycle docking was being delayed because of COVID-19. What you said today was that the pandemic had delayed a decision. Minister Reynolds was asked directly, 'Has it been delayed because of COVID-19?' Minister Reynolds said, 'No, it hasn't.' That was in June 2020.

Senator Cormann: I think you will find that the work of the government and NSC, and indeed the work across manufacturing at any level, has been impacted by COVID-19. I think that that is self-evident.

Senator WONG: You said you'll make a decision when you have the requisite information. Can you tell us broadly what the requisite information is?

Senator Cormann: No, because that goes to the deliberations of cabinet. But suffice it to say that we've been receiving advice from a range of relevant sources—Defence, Finance and ASC—and all of that is being carefully considered to ensure we make the best possible decision for the future of our nation.

Senator WONG: So how many times has this been before the cabinet?

Senator Cormann: I'll have to take on notice whether I can assist you with that. There is the obvious issue of cabinet confidentiality.

Senator WONG: Can we go to options and the timing issue as in what would be the earliest date. As I understand from the public record, the four options that were being considered last year and that work was done on were the three dates I outlined and then, obviously, continued sustainment at Osborne—the dates being FCD beginning in 2022-23, FCD beginning in 2024-25, FCD beginning in 2026-27, and then continued sustainment. This is for a move. I understand what you have said today and what the Prime Minister said when he said, 'The decision relates to what we're doing with full cycle docking in 2026': that, because of the effluxion of time, the earliest move that could currently be contemplated and that the government would currently contemplate would be for financial year 2026-27. That's a question to you, Senator Cormann.

Senator Cormann: Well, I'm not going to get into the timetables. Essentially, when the government has made a decision, all of the relevant information on the consequential timetables will be announced at that time.

Senator WONG: Sorry, I'm actually asking you to confirm the Prime Minister's statement. His statement was, 'The decision relates to what we're doing with full-cycle docking in 2026.' I just want to confirmed that that is the government's position.

Senator Cormann: That is obviously the high-level timetable, but what comes beneath that is obviously something that still relies on a decision and further work within government.

Senator WONG: What do you mean?

Senator Cormann: What I mean is what I've been saying all morning: we are working our way through relevant information, advice and answers to questions, including, of course, ways to manage or minimise risks under any scenario so that in the end we'll make a decision that is the best in our national interest and the best in terms of making sure we have the best possible arrangements to facilitate the smooth transition from Collins class to Attack class submarines and so that we have the appropriate transitional arrangements, including when it comes to Collins class submarine maintenance.

Senator WONG: Mr Whiley, the Prime Minister said, 'The decision relates to what we're doing with full-cycle docking in 2026. What do you understand that to mean?'

Mr Whiley: I think what he's saying is that the earliest that any move is contemplated would be for 2026 FCD.

Senator WONG: How long have you understood that to be the position?

Mr Whiley: As I said, we've provided a range of analysis against the four options. That is probably the first time that I've heard an indication against a particular one of the options by government.

Senator WONG: Am I do understand your evidence to mean this: the first time you were aware that the government's view was that the decision they would make would be in relation to full-cycle docking in 2026 and beyond was when the Prime Minister said that in his interview?

Mr Whiley: I think so, yes.

Senator WONG: Senator Cormann, do you think that's an optimal way to run submarine capability—to tell the people responsible for maintaining our submarines the earliest date on which a move might be contemplated by a Prime Minister's press conference?

Senator Cormann: So you're now criticising the Prime Minister because he answered a question from a journalist in South Australia? If the Prime Minister were to walk on water, you would ask why he can't swim. Either it's too much information or not enough information. I'm saying to you that, substantively, on this issue, we have not made a decision. We will make a decision in the national interest and we will make that decision at a time when we're satisfied we are in a position to make the best possible decision in relation to something that is very important when it comes to our Defence capabilities. We're not going to be distracted by political rhetoric or political bullying or an attempt to put artificial deadlines on things. We'll make the decision when we're satisfied that we are in the best possible position to make the right decision.

Senator WONG: I'm simply asking this. I think we all agree that submarine capability is a critical strategic capability for Australia. Sustainment, FCDs et cetera are central to that capability. They have direct consequences for materiel-ready days and for our capacity to

continue to operate that capability to its optimised potential. All I'm asking you is whether you think it is appropriate for the people who are responsible for maintaining that capability for the nation to be told about timelines on decisions that are relevant to maintaining that capability not by shareholder ministers telling them or by Defence telling them but by a Prime Minister's press conference?

Senator Cormann: I think it was entirely appropriate for the Prime Minister to answer a question that was put to him by journalists in South Australia about the issue that you are now pursuing with me. Quite frankly, you wanted me to announce here even more precise and forensic timetables—inappropriately, I might say. The Prime Minister answered candidly a question about the earliest time at which this would become a relevant implementation issue in practice. I don't think that's inappropriate at all.

Senator WONG: Just to summarise what we've got to this morning: despite the government saying previously there was no intention to move, despite the government's defence minister saying a decision would be made last year, you are now saying, in October 2020, that you will not give us any timeline around decisions. That's the first thing. Secondly, Mr Wiley has told us that the first time he became aware that the earliest the government would consider a move on FCD is 2026 was as a result of the Prime Minister's press conference in Adelaide.

Senator Cormann: I've got to make a correction here. I think Mr Wiley might not have been as explicit as he could have been, but he was talking to you about various scenarios. I think you will find that some of the options and some of the scenarios that ASC would be well aware of make the point on when the earliest practical opportunity would be for any move to happen, if it were to happen. I think you will find that is where that particular high-level timetable indication comes from. So I don't think it was a complete surprise. In the context of giving an answer on what the earliest relevant time would be, I think what the Prime Minister said was entirely appropriate.

Senator WONG: That answer is consistent with what you said earlier in this hearing. I've asked my staff to check their notes, but my notes say that you said, in an earlier exchange today, that it was already on the public record that the earliest the move would be would be 2026.

Senator Cormann: Well, that's right. It's been quite clear for some time that that would be the earliest that this could happen, if it were to happen.

Senator WONG: Mr Wiley, did you understand, before the PM's press conference, that that was the earliest date?

Mr Wiley: Yes, sorry—

Senator Cormann: That was the advice.

Senator WONG: You're now going to tell me what their advice is?

Senator Cormann: He said that they provided advice for various scenarios.

Senator WONG: Yes, six years. Sorry, Mr Wiley?

Mr Wiley: Yes, we have provided advice. Sorry, I didn't mean to mislead you. The advice we provided was that 2026 was, in our opinion, the earliest. What I was trying to say

was that that was the first time I've heard the government say those dates. I hadn't heard it other than from my own advice, so the minister is correct.

Senator Cormann: Did you hear that? 'The minister is correct.'

Senator WONG: Yes, the minister is correct that he provided advice, but it's not till the PM gives a press conference that he knows which advice has actually been taken up. This is a decision—

Senator Cormann: No, it was just a statement of fact. The Prime Minister was being told, 'You've got to make a decision now!' and he said, 'Well, the earliest this is going to become acute is 2026, so we'll take our time to make the right decision,' which is precisely, in essence, what I've been saying all morning here.

Senator WONG: We could go round in circles, but I think what the evidence discloses is: advice provided; no decision by government indicating an earliest date, because there are a range of advices which contemplate earlier dates, including the dates I've read out; and no formal decision by government communicated to ASC that 2026 is the earliest date, until the Prime Minister's press conference in Adelaide. I think that's what the evidence shows.

Can we go to the six-year lead time. Mr Whiley, we had a discussion about lead time being a mitigating factor, in terms of mitigating the risk of such a move, and you said six years or thereabouts. What's the last point at which a decision could be made which, from your perspective, would enable FCD to commence in 2026 in a manner that did not compromise the nation's capability?

Mr Whiley: I'm speculating in terms of data now: I don't think we're on the critical path for a decision at this point in time. As I indicate, there is some room for delay. I think I'd have to take that question on notice to understand what the critical path was. It's going to have to be within the six-year period that we're going to have to move. The critical path will be driven through the establishment of facilities in Western Australia. I haven't got that to hand, so I'll take that question on notice.

Senator WONG: You've previously given evidence—and the minister has agreed—that you're looking at about a six-year timeline. Obviously a 2026-27 start, which is the earliest that's being contemplated, according to the Prime Minister's press conference—we're past six years for a July 2026 start. If the lead time is a risk mitigation strategy, how long have we got before you believe the capability could be negatively affected?

Mr Whiley: I honestly can't give you an answer to that. It is a complex scenario. There are a lot of moving parts. The schedule that would drive that is fairly complex. I don't believe we're on the critical path at the moment, so there is time for a decision. I think the path would go through the establishment and building of facilities, but I would have to take that question on notice to understand it and to provide a detailed answer.

Senator WONG: In the FCD location study interim report from February 2019, ASC made the following statement: 'There will be a learning curve for the transition of FCD, which will increase the risk to the two-year duration for the first and subsequent FCDs in WA, making it unlikely that the transition can occur without an impact to the materiel-ready days, or MRDs.'

Mr Whiley: Yes, I said that. That's correct. If we go to move on the 2026 FCD, that would be a LOTE FCD, and there's already anticipated—a potential learning curve associated with

that. I may have also said previously that the LOTE FCD provides an opportunity to establish a new build or maintenance philosophy for a new workforce. The learning capability required on 2026 is a lot less than if we were trying to do it in another activity, where we would go through two learning curves.

Senator WONG: I was going to come to that. So 2026 is the life-of-type extension date as well, correct?

Mr Whiley: That's correct, yes.

Senator WONG: So the risks associated with that first LOTE—that would be the first LOTE, would it? That's the first LOTE proposed?

Mr Whiley: That's the first LOTE, yes.

Senator WONG: As you've just said, that's a very different risk profile to a normal full-cycle docking. It's a high-risk endeavour, isn't it?

Mr Whiley: It's high risk wherever you're going to do the FCD, yes.

Senator WONG: And it will be critical to manage that first life-of-type extension well to avoid a capability gap in the nation's submarine capability, correct?

Mr Whiley: Absolutely, yes.

Senator WONG: What's your view about the effect on the risks which you've identified of, first, a move to another location for that first FCD LOTE?

Mr Whiley: As I said, the announcements we've done today indicate that the risks can be mitigated. I'm actually more comfortable that we're doing a LOTE FCD in Western Australia first, rather than doing a standard FCD and then moving to a LOTE. I think the learnings that we require in the way of operating will be dramatically different than we require for a standard FCD. So I think we can learn that once, using an established and newer way of working. Believe it or not, I think the risk is maybe lessened by moving it potentially to Western Australia, because you don't have any baggage of the old way of working if you're going to do that.

Senator WONG: I'm not assuming that you support the move?

Senator Cormann: You can't ask him that, Senator Wong. Mr Whiley should not answer that.

Senator WONG: Do you think a move to WA would optimise our capability?

Senator Cormann: That is not an appropriate question. You are asking for an opinion. If you had listened to the opening statement—

Senator WONG: Okay. Would a move to WA, in the context of a 2026 FCD and LOTE, have a higher risk than undertaking the LOTE in the location where we already do full-cycle docking?

Senator Cormann: That is a simplistic, hypothetical question.

Senator WONG: Let him answer it. He's a pretty smart man.

Senator Cormann: You obviously ignored everything he's just said about risk mitigation work that would have to be done under either scenario.

Senator WONG: Why you so stressed about this?

Senator Cormann: The truth is—this has previously been explained by Mr Whiley in this committee—that there are risks under either scenario. That is the reality. Under either scenario there are risks to be managed and under either scenario ASC and others will have to work to minimise those risks. To ask that question in that black-and-white fashion ignores the complexity of what is in front of government as we are considering the best possible way forward.

Senator WONG: I'm allowed to ask a question, Senator Cormann. You might not agree with it. In the context of FCD and LOTE, does a move increase the risk profile of that function, that operation?

Senator Cormann: You can't ask him that question.

Senator WONG: Of course I can ask him that.

CHAIR: The minister can take issue with the question if he wishes.

Senator Cormann: Again, I repeat my answer—

Senator WONG: I don't know what's happened—

CHAIR: Please don't speak over each other if possible.

Senator Cormann: I'm answering the question. The answer is as it was: there are risks to be considered and risk mitigation strategies needing to be put in place under either scenario. If it were as simple and simplistic as you just put the question to Mr Whiley, the decision would long have been made. It's not that simple. It's not that simplistic. The government has to consider a whole series of different factors to ensure the best possible decision is made—

Senator WONG: It's going to be a very long day.

Senator Cormann: Yes, ASC and ASC workforce is an important consideration, but our national defence capability and maximising the availability of our submarines is also an important consideration.

Senator WONG: All I'm asking—I think actually it is probably on the public record, and I don't understand why the minister keeps intervening—is whether or not a move increases the risk associated with what is already a high-risk venture in terms of submarine capability, and that is the first life-of-type extension. It's a question for you, Mr Whiley.

Mr Whiley: I don't think it increases it. I think you've got two very different risk profiles for the action. As I said, from the analysis we've done we can mitigate either the stay or go option. I'm confident that we can deliver on the benefits of either stay or go, based on that analysis.

Senator WONG: I think you said to me that the work that you had done, the options work—I'm sorry but I don't recall what I should call it—you finished in early 2019. This was on the various scenarios and risk mitigation.

Mr Whiley: I think it actually finished in about August 2019. The final report was given in August 2019.

Senator WONG: The final report—what do you want me to call it?

Mr Whiley: The final piece of work, the final set of data, if you like.

Senator WONG: That was August 2019. That included workforce? That was essentially—have you done all the preparatory and planning work that you think you need to

do in order to put those matters before government as they make a decision in relation to workforce planning, risk mitigation, how you go about a move, the different risk mitigation strategies for both options, staying in Adelaide and going to WA? From your perspective, have you provided all the scenarios, risk mitigation strategies and planning work to government at this point that you need to?

Mr Whiley: I believe so, yes.

Senator WONG: Senator Reynolds issued a press release in October, earlier this month, stating that the federal and WA governments were sponsoring a series of studies to inform the future development of the Australian Marine Complex at Henderson. Do you have any knowledge of that, Mr Whiley?

Mr Whiley: Only what I've seen in the press.

Senator WONG: You haven't been asked to contribute to those studies?

Mr Whiley: No.

Senator WONG: Do you have any knowledge as to whether any of those studies contemplate the potential for full-cycle docking in WA?

Mr Whiley: No.

Senator WONG: Minister, can I just be clear who is responsible for—obviously there is a cabinet process associated with this decision, but is it a decision that would be brought forward between both this portfolio and the Defence portfolio?

Senator Cormann: Yes. But it's a decision that could be made by NSC.

Senator WONG: Mr Whiley, is the ASC now under contract for life-of-type extension work beyond the initial scoping studies that we've discussed previously?

Mr Whiley: We're in some initial systems design phase currently, so we are in contract.

Senator WONG: I'm sorry?

Mr Whiley: Yes, we are doing some initial systems design work currently.

Senator WONG: I'm a little confused. I know this is quite complex. You were asked in March about contractual arrangements between you and the government regarding life-of-type extension. You said:

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.

I'm just trying to understand what has happened since March.

Mr Whiley: We've had some follow-on taskings from CASG to undertake system design work to keep us progressing in accordance with the schedule. That system design funding comes to an end at the end of this month. We have another survey and quote tasking in with CASG, which will get approved at the end of this month and will then take us into April next year.

Senator WONG: In simple terms, are you under contract for life-of-type extension work or not?

Mr Whiley: We are under contract for support of the critical work that supports the life-of-type extension work. The problem is that the project is not yet formally approved, so this is all bridging funding, to help us get to the formal approval process.

Senator WONG: So PP4 is basically the next version of the in-service support contract—is that right?

Mr Whiley: That's correct, yes.

Senator WONG: I think you told us in October last year that that would get released in July this year, meaning 2020. Has it been released yet?

Mr Whiley: We're still in negotiations to sign PP4 and we are coming to the end of that negotiation.

Senator WONG: When is the endpoint of the negotiations expected?

Mr Whiley: We are aiming for 30 November.

Senator WONG: You previously have been asked about feasibility proposals in relation to large capability upgrades for main propulsion, motor, diesels, power conversion, distribution packages. Can you tell me the current status of the feasibility proposals and the next steps and time frames?

Mr Whiley: As I said, we are currently undertaking system design work against those core packages that you alluded to, and we're looking at providing a number of work scope configuration changes for Defence's consideration against some other work that they would like.

Senator WONG: You also told us that the firefighting degaussing packages are planned to commence concept design in the first quarter of 2021, and detailed schedules for these projects have not been commenced at this stage. Is the time line for the concept design on track and have detailed schedules been commenced?

Mr Whiley: The four pieces of work that we're currently working on are hull, diesels, propulsion main motors and static converters. I'm not sure specifically where we are with those two pieces of work. I'll take that question on notice.

Senator WONG: In April 2019 you referred to ramping up the life-of-type extension team to around 200 people once the detailed design phase commences. Where are you at in that process? When do you expect the detailed design phase to commence? And have you commenced or when do you intend to commence ramping up to 200 people?

Mr Whiley: I think the ramp-up will be a slower ramp-up. The detailed design for the A and B work scope has been pushed to the right. The detailed design work will probably start in 2021, 2022.

Senator WONG: I have some questions about workforce. What is the current number of Collins program employees in both core and critical categories in each of your groups? You previously provided an answer on notice which set that out in terms of groups—core, critical, and total. Are you able to update that?

Mr Whiley: Sorry, we are currently going through a review of that structure, so I'll take that question on notice.

Senator WONG: What are your current predictions for your workforce 2022, 2024 and 2026?

Mr Whiley: They effectively will remain unchanged. There may be some minor changes, depending on timing of work scopes. As I've said previously, the cyclic nature of maintenance and the demand and scope means it has some influence on the number of [inaudible].

Senator WONG: What is your current attrition rate? You told one of us last time that it was about 3½ to four per cent for trade staff and about 10 per cent for engineers. In answer to a question on notice in March 2020 you said that the rate had fallen. What is your current attrition rate for engineers in trade?

Mr Whiley: Across the board it has fallen from 10.2 per cent in October 2019 to eight per cent at the moment.

Senator WONG: And engineers?

Mr Whiley: Again, we've seen a decreasing trend in engineering. As a percentage, I can't quote it, but it's a substantial decrease in the number of engineers lost.

Senator WONG: Can you update, on notice, the attrition rates in more detail, please.

Mr Whiley: Yes, no problem.

Senator WONG: I'd like a disaggregation between trades and engineers, in particular, and core and critical, or whatever category you want to put into place. You told us on notice:

ASC was planning an international recruitment initiative for mid-2020, but has put this activity on hold due to the impact of the global COVID-19 crisis. The number of new employees to be recruited is yet to be finalised and the initiative is to focus on the Engineering capability.

Obviously the borders weren't being closed at that point, so I want to understand how it affected you. Where is that at?

Mr Whiley: That's still on hold. We're not planning any overseas recruitment at the moment.

Senator WONG: What's the plan B, if we assume that international restrictions will continue? Whilst you might have improved your engineering attrition rate, this is a workforce capability which is critical, and there will be an increasing need for it. So what is the plan B in terms of attracting and retaining engineers?

Mr Whiley: As I think I said at the last Senate estimates, we undertake an employee engagement survey to look at how we can improve ASC's value proposition as an employer. From that survey and those action plans, we've made a number of changes to the way we operate as a company. I think that is reflected in our reduced attrition numbers. We're going to carry on promoting that value proposition model to make ASC a more attractive employer.

Senator WONG: But, essentially, you're going to have to focus on the domestic labour market.

Mr Whiley: That's correct.

Senator WONG: At a time where—

Mr Whiley: We have plans in place to make sure we can mitigate that. For the engineers, we have training packages in place to make sure that the capability is maintained. I think we're going to have to become more self-reliant on the domestic market.

Senator WONG: I do have one more question and I appreciate Senator Patrick has been extremely helpful. I know you don't do the shipbuilding, but I am interested to know whether you have any line of sight on this or whether there have been any discussions with ASC in relation to this. There was a report last month suggesting that the frigate program could be delayed for up to two years, which potentially has implications for the Adelaide shipbuilding workforce. Whilst I know that's BAE, I am interested as to whether or not there has any discussion with you about the possibility of the frigate project being delayed and implications for workforce planning in South Australia.

Senator Cormann: That is not something he can answer.

Mr Whiley: No—

Senator WONG: I just asked if he's had any discussion. He can answer if he's had a discussion. Sorry, did you say no, Mr Wiley?

Mr Whiley: Yes, I did.

Senator WONG: Had you heard of this—

Mr Whiley: I've had no discussions on any of those issues with anybody.

Senator WONG: Were you aware of that media report?

Mr Whiley: I was aware of the media report. I was not aware before that media report.

Senator WONG: Okay, that's helpful. I think the rest of it I can put on notice unless somebody is going to email me quickly. Thank you, Chair, and thank you, Senator Patrick, for your assistance.

CHAIR: Senator Patrick, just for time management purposes, how long do you think you will need?

Senator PATRICK: Half an hour.

CHAIR: We're already 10 minutes over. I know that's not your fault, but half an hour is going to make us 40 minutes over. We'll make up some of that time, hopefully, with the Future Fund and the CSC.

Senator PATRICK: Thank you, Chair. Just following on from Senator Wong's questions in relation to the full-cycle dockings. Mr Wiley, you may not know this, because I do this with Defence. I have FOI-ed the FCD study that you conducted, and much of it, I suspect, will be revealed to me after the Information Commissioner has made a decision. In that document, you explored each of the different options, and that included the 2022, 2024 and 2026 options. At that point in time, noting that it was February 2019, did you rule out 2022 and 2024 in that study on the basis of the lead time you've talked about with Senator Wong?

Mr Whiley: I don't think it's up to us. We just provided the data for government to make the decision. We didn't rule in or out any of these scenarios.

Senator Cormann: It is an important point. For us to be quite clear from the beginning: the ASC is one of the inputs; they're not a decision-maker. The decision-maker here is the government.

Senator PATRICK: I'm not asking for the decision. There is a report that was generated by Mr Whiley. It had a whole range of assumptions that you made. It fleshed out a number of options in that body of work, separate to any government decision. When I finally get this

document—and my score with the information commissioner is Rex five, government zero—I presume there will be advice to government on the basis of the evidence you've just given Senator Wong, that the 2022 option and the 2024 option were not possible.

Mr Whiley: The report was some time ago, but if I remember correctly we made no recommendation or offered opinion on that. We just provided the data analysis against the various scenarios.

Senator PATRICK: So when you've put 'way ahead' as a heading title in that document, that didn't actually have a way ahead?

Mr Whiley: It would have data. Again, I don't have the document in front of me. I think that was just an analysis about what the next steps would be.

Senator PATRICK: Perhaps you can take that on notice to go back and check that document and advise whether or not you ruled out 2022 and 2024 in that document, including in the section which says 'way ahead'. That was the title of the section. Have you been doing any work hedging a location? Has there been any background work in relation to a shift to WA? I presume that there's no work associated with the status quo. Is there any hedging work you're doing?

Mr Whiley: There's no work currently underway regarding any hedging. Obviously at the time of doing the analysis we did look at our options of staying or going and we looked at what we needed to do at that time.

Senator PATRICK: Senator Cormann described you as a supplier, but the reality is you're more than a supplier, aren't you? You're part of what John Coles designated as the submarine enterprise. Indeed, you do from my—

Senator Cormann: Submarine maintenance services, that's right.

Senator PATRICK: No, actually a formal part under the Coles review. They were considered part of the submarine enterprise. I understand you sit on the submarine enterprise board, or you attend meetings as a team member of that submarine enterprise—is that correct?

Mr Whiley: That's correct.

Senator PATRICK: How often does the submarine enterprise board meet?

Mr Whiley: I think it's every six months.

Senator PATRICK: I presume you're also meeting with people like Mr Sammut and the Director General Submarines on a regular basis?

Mr Whiley: That's correct.

Senator PATRICK: And at no point had they talked to you about dates or full cycle docking moves? Is that not brought up at a Collins submarine enterprise board meeting or meetings that you have with the Navy?

Mr Whiley: No. It isn't actually.

Senator PATRICK: Sorry? It's not brought up?

Mr Whiley: It's not a topic. There are other people at those board meetings other than the parties who are interested in the FCD, so maybe it's not appropriate, this discussion in an open form. It hasn't been brought up.

Senator PATRICK: Can you provide on notice the dates on which the ASC have attended a submarine enterprise board meeting and the agenda of those meetings?

Mr Whiley: Okay.

Senator PATRICK: Thank you. What about meetings that you've had with Mr Sammut, the Director General Submarines or other Navy personnel in relation to Collins full cycle docking? If it's not talked about—boy, it must be the elephant in the room.

Mr Whiley: I've had no conversations with Mr Sammut on this issue since we've submitted our analysis.

Senator PATRICK: Following up from what Senator Wong talked about with LOTE: you've given evidence in this committee that you think about 10 per cent of your workforce would move to WA. You've also given evidence that something like 11 years is the average duration of an engineer's employment at ASC, a considerable amount of submarine expertise. Surely in respect of personnel and corporate knowledge there is a significant risk associated with the shift and also taking on LOTE at the same time. You talked about baggage. Baggage is something you can sort out as a CEO. Retaining or keeping submarine expertise is a much, much harder proposition for you as a CEO in respect of a shift. I'm trying to understand your comments about the risk of doing this in WA.

Mr Whiley: The analysis we provided considered those scenarios and I'm confident that the data we came up with and the mitigations considered actually managed either a stay-or-go scenario from a capability perspective.

Senator PATRICK: I might shift slightly to discussions of COVID-19 and how border restrictions in WA have affected your assistance or your role in making sure that submarines are available to go to sea.

Mr Whiley: You're asking me for an observation?

Senator PATRICK: I'm trying to understand how the border closures have affected your staff. Are your staff essential workers? You provided on notice some details of how South Australian engineers and technicians assist people in Western Australia. That's a normal operations of ASC. How have the border closures affected your support of the submarine enterprise?

Mr Whiley: Obviously we've had to adapt a different way of working since COVID. The number of people, as you quite rightly allude to, has significantly reduced in moving to Western Australian support activities. I think on maybe two or three occasions we've had to apply for special exemption to get people across the borders. The ways of working we've developed in terms of Teams meetings and engagement means we can do technology transfer remotely. In many respects it's been a good circuit-breaker to actually look at different ways of working and develop some different capability. Today I can say from an availability perspective that we haven't really been impacted by those restrictions. We continue to manage and mitigate those issues. Obviously, as I said, there have been one or two individuals that have been critical that we needed to get across. We apply for the exemptions and they've been given for that.

Senator PATRICK: Has it added a cost to you at all in terms of your operations?

Mr Whiley: There were certainly some initial costs in the early set up of dealing with COVID, which we have recovered. Generally we're absorbing the impact now in our normal operations so there's no premium with the way we're operating today.

Senator PATRICK: Senator Wong has asked for some updates on staffing, so I don't have to go to those particular questions. You mentioned the ASC's engagement with staff, the opinion surveys and so forth. Have those engagements and surveys in any way raised the topic of the Full Cycle Docking shift to WA, or the chance of that occurring?

Mr Whiley: As I said earlier on, I think that's probably the question I get asked the most when I address my workforce. My response to that is I honestly think the uncertainty is countered by the growth in the shipbuilding environment inside South Australia, and the response I give to them is nobody should really be worried about their jobs if a move was to occur, because I think there's enough demand for their skills and capability that nobody's potentially going to lose a job, and that there'd be plenty of jobs for them if a move was to take place. And that's the position I've been putting to the workforce.

Senator PATRICK: Are you losing personnel to BAE? And are you losing personnel to Naval Group?

Mr Whiley: Certainly, we've lost people to both organisations, but that—

Senator PATRICK: On notice, can you provide some details of that, just the numbers and types of people you are losing those two organisations?

Mr Whiley: Yes.

Senator PATRICK: How many people has ASC put through the Naval Shipbuilding College?

Mr Whiley: The college is a virtual—it's more of a broker than a college.

Senator PATRICK: It's a very expensive broker.

Mr Whiley: It's a way of connecting people with jobs. It's not a college per se that does work. We are, obviously, involved in supporting it and identifying our demands for the workforce into the future, and we contribute along with the other members of the college, the other primes and what have you, and we engage with the HR perspective. But we don't actually put people through the college per se.

Senator PATRICK: How many people have come from the Naval Shipbuilding College from their training and been employed by ASC?

Mr Whiley: We've not taken anybody from the college's process.

Senator PATRICK: Not one person from the Naval Shipbuilding College has been taken up? It's a brokering service, as you said, and they presumably wish to connect their trainees with your organisation, rather than lose them somewhere else. Has the Naval Shipbuilding College ever approached you with candidates that it's trained?

Mr Whiley: They have a database that we can look into—so, yes, it is available to us. Our recruitment is very, very low at this point in time. We're actually not recruiting very many, so I'm not surprised that we're actually not taking candidates from there. Some of the skills and people we're looking for are not necessarily in the shipbuilding side, they're more in the commercial law, IT or what have you. There's a facility there, our HR department is connected with it, and we get to see the candidate pool that they've developed.

Senator PATRICK: I'll go to sustainment and the contracts and costs and so forth. You talked about PP4. I don't mean this in a pejorative sense, but I presume Defence are always trying to screw you down on price. Would that be fair?

Mr Whiley: We've gone through a negotiation period, and we're just in the process of preparing our final submission for board approval and then, ultimately, the minister's approval.

Senator PATRICK: But the burden of my question goes to: do they push back on price? Are they trying to find efficiencies?

Senator Cormann: In a negotiation, clearly, as a purchaser you try to get the best price, and as the supplier you try to get—

Senator PATRICK: Reasonable margins.

Senator Cormann: Reasonable margins. That's just in the nature of things. And in the middle, there is a good deal.

Senator PATRICK: Sure. I'm just asking, Mr Whiley, have they put pressure on you on pricing?

Mr Whiley: I think, from a cost-effective perspective, we are working really hard to drive our costs down in the business. As an agency responsible to government, it would be incumbent on ASC to drive the best value for government. But we are aware that we need to drive cost performance inside our business.

Senator PATRICK: Does the defence department ever ask you to do work for free—that is, to do a study or to do work for which they don't have an expectation that you would charge for?

Mr Whiley: I think the nature of ISSC allows flexibility for work to come in and us to get funded. So it's not not approved, but they certainly haven't.

Senator PATRICK: They haven't asked you to do some work and then said, 'We don't want to have that taken out of the ISSC budget?'

Mr Whiley: I can't think of any instance where that's been the case.

Senator PATRICK: The Defence PBS states that the Collins sustainment budget for this financial year will be \$663 million. That's a rise from last year's estimate of \$556 million and the actual figure of \$577 million. So there's a significant increase in sustainment price for Collins in the budget. From your perspective—noting you're in negotiations in respect of in-service support—do you have any information you can provide me on where that cost increase is coming from?

Mr Whiley: No, it's not coming from us.

Senator PATRICK: So ASC is not asking for extra money? There's no additional scope being added to the work that you are doing?

Mr Whiley: As I understand it, a like-for-like price comparisons between our PP4 and PP3, there has been an decrease in ASC's cost base.

Senator PATRICK: You've said that you don't have the PP4 contract signed yet—it's overdue but close.

Mr Whiley: Yes. We're in the final throes. We've had basic, detailed discussions with CASG. We're in the process of preparing the data for our board's review. Subject to their review, it then goes to the minister.

Senator PATRICK: Are there options to extend? Is there a PP5 or a PP6 contemplated?

Mr Whiley: The PP4 period is basically for a four-year with a four-year rollout. But, at the end of the PP4, you can anticipate that we then go into a PP5 contract based on the good performance of those four years in PP4.

Senator PATRICK: So that's built into some head contract, and then, every four years, you sit the table and work out what to do the next four years.

Mr Whiley: Yes. When we signed this contract, we had eight years of certainty from the workforce and a contracting perspective. At a four-year juncture, we will then go into a review and then go into hopefully a PP5 or [inaudible] from that point.

Senator PATRICK: I don't have much longer, Chair. Money was allocated for MYEFO funding. Last time around, you advised that there was \$7.2 million in funding left for sustainment and development of the capability of the ASC's workforce via a system and engineering in support of Collins life-of-type extension activities. Has that funding from Defence been approved to you now?

Mr Whiley: Can you repeat the question, please?

Senator PATRICK: It's on MYEFO funding. There was funding in MYEFO not last but the year before. We've engaged in some discussions at other estimates about when that funding was being committed. Was it being spent by you? Was Defence releasing it to you?

Mr Whiley: It has been released, and we're in the process of spending the final parts of that funding.

Senator PATRICK: And what are you—

CHAIR: Senator Patrick, sorry to interrupt before you ask next question. The committee is due to go to a break in two minutes. If you are very close to your finish, it wouldn't make sense to bring them back after the break. If they can be dismissed—

Senator PATRICK: Sure. I won't be much longer.

CHAIR: So you don't have any more for ASC? We'll finish with ASC, we'll go to a break and we'll come back with ANI.

Senator PATRICK: I want to understand what activities that money has been used to fund.

Mr Whiley: The last parts of the use of MYEFO funds would be to fund LOTE activities.

Senator Cormann: By way of an update, as at 24 September 2020, the full \$29.4 million in work has been agreed on between ASC and Defence, with \$26.7 million, I'm advised, already having been invoiced.

Senator PATRICK: So we've got \$3 million worth of activities?

Senator Cormann: That's right. The work has been agreed to, but all but just under \$3 million has already been invoiced.

Senator PATRICK: You'll remember that we got off to a slow start with the spending of that money, but obviously we got there in the end.

Senator Cormann: We spend money wisely, which is why we start spending when we know that it's going to be spent wisely.

Senator PATRICK: I want to confirm the study that you were referring to—that you said was, I think, completed in August 19—was the Collins class full cycle docking locations study. Is that correct?

Mr Whiley: That's correct.

Senator PATRICK: On notice, can you provide the committee with a copy? I note we were provided with a copy of a report—but maybe it was another report on FOIs. But can you provide that final report to the committee on notice, please?

Mr Whiley: It wasn't our final report. It was a series of data and analysis that we provided that they ended up—

Senator PATRICK: I understand that; I'm just asking you if you could provide that to the committee on notice.

Mr Whiley: Okay.

Senator PATRICK: Thank you. Thank you, Chair.

CHAIR: If there are no further questions for ASC, I thank them very much for their attendance and their evidence here this morning. The committee will now break.

Proceedings suspended from 10:31 to 10:49

Australian Naval Infrastructure Pty Ltd

CHAIR: The committee will now resume. I welcome Mr Andrew Seaton, Managing Director and Chief Executive Officer, Australian Naval Infrastructure Pty Ltd, via teleconference. Mr Seaton, do you wish to make an opening statement?

Mr Seaton: Yes, I would.

CHAIR: Just briefly, if you could, please.

Mr Seaton: Firstly, apologies for not joining you via videoconference. We seem to have some technical issues. Good morning and thanks for the opportunity. This is my first Senate estimate since being appointed as ANI's managing director and chief executive in April this year. ANI's focus in 2020 has been, firstly, on completing facilities of the Osborne South development project and, secondly, on progressing the Osborne North development project in conjunction with Naval Group and the Commonwealth. In relation to Osborne South, I'm pleased to report that the facilities have been completed safely, on schedule, on budget and to a high standard.

Since appointing Lendlease as managing contractor in October 2017, over 1.8 million hours have been worked on the project. Of the government's investment of \$565 million in Osborne South, \$506 million has been spent to date. Modernisation work in the existing shipyard will be completed over several years, with the total project budget unchanged at \$560 million. The peak workforce during construction of Osborne South was approximately 730, with 580 on site and a further 150 off site. Over the project's life, some 3,300 workers were inducted on site. Australian content was high, with 97 per cent of subcontracts awarded to Australian companies and 89 per cent of the 25,000 tonnes of steel produced locally.

The submarine yard project at Osborne North is also progressing to plan. Phase 1 construction activities, encompassing the combat systems physical integration facility and the platform land based test facility are both advancing on schedule and on budget. Ninety-nine per cent of the nearly 600 tonnes of steel used to the end of August was manufactured in Australia. Construction for phase 2 main works production facilities on the western side of Mersey Road has recently commenced with initial site works underway and the first pile being driven on the main hull workshop this week. At present, there are approximately 217 personnel working across the project, with 77 in the design office and approximately 140 on site. This number will increase substantially in 2021 as the site based activities ramp up. That's the conclusion of my opening statement.

CHAIR: Thank you. Senator Patrick, you have the call.

Senator PATRICK: The committee received—it was tabled in the committee before—a very detailed plan of the Osborne North shipyard. It was a plan that had the future submarine overriding or utilising where ASC submarines are at the moment. Is there now in existence a layout that doesn't cover off on or consume the current Collins submarine full-cycle docking facility at ASC North?

Mr Seaton: The design of the submarine yard is progressing on a staged basis, based on works underway on the test facilities and phase 2 works for the main manufacturing production facilities. We have layouts for those facilities. The phase 2 works layout has not yet been finalised, but we are working on a number of options.

Senator PATRICK: The last time I was provided with one very detailed option and there was one option that was drawn up almost in crayon. I'm wondering if you can provide to the committee on notice what the current layout plans look like for however many options that you have.

Mr Seaton: Yes, we can do that.

Senator PATRICK: If it has not been finalised at this point in time, how are you costing the program?

Mr Seaton: The phase 1 works are underway and we have a total cost estimate for those works for the combat systems facility. For the platform land based test facility, we are finalising the target cost estimate for that facility as we speak.

Senator PATRICK: Is that the phase 2 work?

Mr Seaton: That's the phase 1 works.

Senator PATRICK: Where are you at with phase 2, with the construction facilities, in terms of costing?

Mr Seaton: To maintain schedule while we finalise the design of the phase 2 works, we have started an initial site works package which is limited to civil works and piling works and some early procurements. So we are progressing under that initial site works package while we finalise the target cost estimate for the yard towards the end of this year. We will present that to government in early 2021.

Senator PATRICK: So, in some sense, that creates a deadline for the location of the full-cycle dockings, because you need to know where the full-cycle dockings will occur to bed down and finalise phase 2 work?

Mr Seaton: No. The phase 1 and phase 2 works are independent of any decision on full-cycle dockings.

Senator PATRICK: In the original well laid out document that was provided to me, ASC North occupies a space where the submarine full-cycle docking area was in fact utilised. Are you saying that, whichever way it goes, that facility will not be disturbed—you don't have a need for the property where ASC currently sits?

Mr Seaton: What I'm saying is that ANI has been instructed to retain flexibility in design to be able to accommodate both scenarios. The focus to date with phase 1 and phase 2 is on the facilities which are effectively new build facilities to the west of Mersey Road. The existing ASC yard to the east of Mersey Road will be the subject of any phase 3 works. By necessity, there will be works to the east of Mersey Road because we will need to transport the completed submarines to the ship lift and there will need to be wharfs and wharf support buildings. But those activities are phase 3. The need for those facilities—the wharf, wharf support, for taxiways and hard stands—is later this decade. So we don't have the urgency in construction for those facilities that we have for the phase 1 and phase 2 facilities. So that gives us flexibility to continue with the project, to meet the operational need dates of Naval Group while not pre-empting any future government decision on full-cycle dockings.

Senator PATRICK: Knowing how projects work, you will have an integrated master schedule at this point in time. I've been provided, through the JCPAA, the submarine integrated master schedule. Can you please, rather than just providing dates and milestones in a tabular form—which are not complete, I might point out—can you provide to the committee the integrated master schedule for the Osborne North works phases 1, 2 and 3, please, on notice?

Mr Seaton: We do not have the integrated master schedule for phase 3 works at this time. As I said—

Senator PATRICK: So no planning at all—seriously?

Mr Seaton: We would not be working on phase 3 works and design at this time, because there's no imperative to. The focus, as I said, was on the initial test facilities, which was phase 1, and now we are turning to the manufacturing facilities, which is phase 2. We are still finalising that design. Consistent with the response that Mr Knox gave to you at the last Senate estimates, that is on a schedule where we will present the Commonwealth with the design and cost estimate early in 2021. But the stage 3 facilities are not on that same schedule. As I explained, they are not a critical part—

Senator PATRICK: I would like to get an overall picture of phase 1, phase 2 and phase 3. Can you advised the committee, even if the phase 3 stuff is still in draft, I cannot even imagine that doing that work you won't have done at least some preliminary work on that. Chair, I am just going to have to go, but I might pop back.

CHAIR: ANI might not be here when you come back.

Senator PATRICK: [inaudible]

CHAIR: Senator Ayres.

Senator AYRES: I might start by approaching some of the issues that Senator Patrick was approaching and reorder my questions. It might make the session make a bit more sense. Page

84 of Budget Paper No. 2 says there is an equity injection of an undisclosed amount to ANI 'to support further infrastructure works at the submarine construction yard and to undertake planning for future infrastructure works at the Osborne precinct in South Australia'. Given the discussion we have just had, is that funding related to phase 1, 2, and 3, or is that in relation to phase 1?

Mr Seaton: That funding is primarily related to phase 2 planning and the initial site works, which I referred to earlier in response to Senator Patrick's question. There are some small amounts in there for phase 3 planning, which we have not yet commenced.

Senator AYRES: So the amount is not disclosed. Is that because the work hasn't been contracted yet?

Senator Cormann: Well, the work has not been contracted, but there is commercial sensitivity around the number until such time as the relevant decisions have been made. But, of course, this will have to be reported at the appropriate time, after the expenditure is incurred.

Senator AYRES: So, just to understand that, is that commercial sensitivity because contracts haven't been let, or is—

Senator Cormann: You don't want to signal to the market how much ANI, on behalf of the government, might be prepared to pay for certain investments.

Senator AYRES: Just because the contracts haven't been let, or because a decision hasn't been made on—

Senator Cormann: Well, the decision has been made in relation to the infrastructure required, and there is planning work underway, but you don't really want to signal to the market when you are about to go and procure services what the funding envelope is that you are looking at. This is to protect the commercial position and interests of the Commonwealth.

Senator AYRES: I appreciate you will not be able to give definitive dates until contracts have been let, but do you have nominal dates for commencement and completion of those works?

Mr Seaton: Yes, we do.

Senator AYRES: And what are they?

Mr Seaton: The phase 1 works commenced in late 2018 and will be progressively delivered. The combat systems test that facility will be delivered in the third quarter of 2021, and the platform land based test facility will be delivered in the third quarter of 2022. The phase 2 works commenced in July this year and will be delivered in the first half of 2023 for the initial components of the phase 2 works.

Senator AYRES: Do any of the works contemplate retaining Collins class full-cycle docking in South Australia?

Senator Cormann: I think that the CEO of ANI has already answered that question. But let me just make the point for the record that the additional equity injection that is provided for in the budget has absolutely no bearing and does not presuppose the outcome of considerations into future Collins class submarine sustained activities. As was said earlier, the planning is based on being able to accommodate either scenario.

Senator AYRES: And having the capability to contemplate either scenario does—the decision made that full-cycle docking not occur in South Australia does involve having additional capability in Osborne North that's not going to be—

Senator Cormann: This is the infrastructure work, and this is about—

Senator AYRES: So there is a cost issue there, isn't there?

Senator Cormann: Well, clearly, depending on the decision that is made, you will have a different configuration. This development obviously is happening in a phased approach, as has been outlined. The work is being undertaken in a way that will accommodate either scenario and there is an additional equity injection that has been made in this budget.

Senator AYRES: What about deeper full-cycle maintenance of the Attack class? Do the works contemplate that capability there?

Senator Cormann: I think that is a question for you.

Mr Seaton: The facilities that we are constructing are to build the submarines and don't contemplate future government decisions around where the Attack class will be maintained.

Senator AYRES: Can I ask about the nominal schedule for phase 3 works and planning. There is a small amount there for phase 3 planning, as I recall.

Mr Seaton: The schedule there really is to ensure that we are supporting the decision-making around the site. I stress that the vast majority of the facilities which are being constructed as part of the Osborne North development project are independent of the full-cycle docking decision. So the bulk of the work is in phase 1 and phase 2 works to the west of Mersey Road, which need to proceed, regardless of that decision, so the planning for phase 3—and as I said we have a nominal amount allocated for those planning works—is just to ensure that we are doing some preliminary design so that when that decision is made we are in a position to further direct those works.

Senator AYRES: What is the nominal completion date for that preliminary design?

Mr Seaton: We don't have a schedule at the moment. The funding that we received through the budget process was really an interim funding amount to ensure that we can continue to progress the project ahead of the determination of the phase 2 scope of works and a further submission to government early in 2021.

Senator AYRES: And, when you say 'a nominal amount', is it five per cent or 10 per cent or 20 per cent of the amount that's budgeted for phase 3 planning?

Mr Seaton: The budget planning—about five per cent.

Senator AYRES: Okay. In late September, the Prime Minister announced that the Osborne South shipyard was complete and ready for handover. I think he said that ASC would take control of the shipyard and start training shipbuilders over the next four months. Does this mean that the handover will be complete by December 2020?

Mr Seaton: Yes.

Senator AYRES: And so the kick-off for ASC will be in January of next year, is that right?

Senator Cormann: Well [inaudible] by December this year. This is ASC Shipbuilding, the subsidiary of BAE, not ASC the company that appeared here earlier today.

Mr Seaton: The training is already underway and shipbuilding personnel are being trained. The majority of the facilities have already been handed over from ANI to ASC Shipbuilding, with really only one building remaining to be handed over. It will be handed over once the equipment has been tested and fully set to work. That will be in time for ASC Shipbuilding to start their prototyping activities in December as originally planned.

Senator AYRES: Perhaps, on notice, would you outline the steps and key dates for the progressive handover from ANI to BAE and how they compare with the original target date?

Mr Seaton: Most of that handover has already occurred. We can take that on notice.

Senator AYRES: Would you do that for me anyway? I appreciate that we are most of the way through that process. I have a series of other questions, Chair, but I'm happy to put them on notice.

CHAIR: If there are no other questions for ANI, I thank you for your attendance and your evidence here this morning. The committee will now move to the Future Fund Management Agency.

Future Fund Management Agency

[11:11]

CHAIR: Welcome Dr Raphael Arndt from the Future Fund Management Agency and officers from the Department of Finance who are covering program 2.8, Australian Government Investment Funds. Dr Arndt, do you wish to make an opening statement?

Dr Arndt: I do. From 1 July 2020, I commenced as the Future Fund Management Agency's chief executive officer. I've been with the organisation for over 12 years, joining as head of infrastructure and timberland in 2008 and going on to serve as chief investment officer from 2014. I'm honoured to now serve as chief executive officer and bring both continuity and commitment to evolving the organisation for the new challenges ahead. Sue Brake commenced as acting chief investment officer on 1 July 2020 and joins me here today.

On Friday 16 October we tabled our 2019-20 annual report in parliament. The report provides a comprehensive overview of the performance of the Future Fund, the five other public asset funds and the operation of that organisation in the 2019-20 financial year. We've made good progress in the pursuit of our objective to strengthen the Commonwealth's long-term financial position.

The 2019-2020 financial year was a challenging year for investors across the globe as the economic fallout of the COVID-19 pandemic impacted investment markets. The Future Fund weathered the storm well and proved resilient through unprecedented levels of market turbulence. The funds diversified portfolio protected its assets from significant losses with a return of -0.9 per cent for the year to 30 June 2020. Today we released our portfolio update to 30 September 2020—and copies are available for senators in the room, I believe.

The Future Fund has performed well in an exceptionally challenging environment, with the impacts of the pandemic continuing to be felt, by growing 1.1 per cent in the quarter to \$163 billion. The board is focused on long-term performance and, as at 30 September 2020, the fund had generated a 10-year return of 8.9 per cent per annum, exceeding its target return of 6.2 per cent.

Year-on-year returns have been impacted by the rolling off of strong market performance towards the end of 2019 and the impact of market disruption in March and April. Looking forward, sustaining asset prices at current levels will be dependent on ongoing monetary and fiscal support. We remain cautious, given that we are yet to see the full economic effects of the COVID-19 induced economic shutdowns around the world and the potential for ongoing fiscal stimulus remains unclear.

Since the fund was established in 2006 with capital contributions of \$60.5 billion, it has earned over \$102 billion for the Australian government. We also have responsibility for investing the Medical Research Future Fund, the Aboriginal and Torres Strait Islander Land and Sea Future Fund, the Future Drought Fund, the Emergency Response Fund and the DisabilityCare Australia Fund. In total across the six funds, the Future Fund Board of Guardians now invests \$210 billion for the benefit of future generations of Australians. I welcome your questions.

CHAIR: Thank you very much, Dr Arndt.

Senator KENEALLY: I'm just wondering if we could get a copy of the opening statement, Dr Arndt.

CHAIR: Yes, that would be helpful.

Senator KENEALLY: I think you also said there were copies available of—was it your performance report?

Dr Arndt: The quarterly outcome, yes. The department will have them.

Senator KENEALLY: Okay. If we could have copies of both of those, that would be useful. Thank you, Dr Arndt.

Senator AYRES: Thanks, Dr Arndt. I have a couple of questions of detail. I refer to AusTender contract notice CN3699552, for the Future Fund Management Agency, which was published on 10 July this year. Can you describe why there was an absence of competition for technical reasons?

Dr Arndt: I don't have the numbers in front of me, Senator. If you could explain to me which contract that was, that would assist me in answering.

Senator AYRES: In answer to a Senate question on notice, it's in relation to the lease and rental of a property or building from JustCo.

Dr Arndt: Yes. We have grown in complexity and responsibility over recent years, as you know, and I've just explained that we now have six funds to manage. So some years ago we identified that we needed to move offices. Through appropriate processes, we're very close to completing a fit-out of the new office in Melbourne, which is a larger space and actually is cheaper per square metre than the current tenancy. During that same period, we have continued to invest quite significantly in our investment technical capabilities to help us in our—

Senator AYRES: Sorry, Dr Arndt. I'm really struggling to hear you.

CHAIR: Yes, your audio's not perfect there, Dr Arndt. I don't know if you can move any closer to a microphone.

Dr Arndt: I'll try to speak up.

CHAIR: Thank you.

Dr Arndt: Unfortunately, I'm unable to leave my home in Melbourne.

CHAIR: Indeed.

Dr Arndt: So we're well progressed on moving to the new office building, and during the period we've ramped up our investment in technology and data projects. We have a number of project based individuals who are short term and whom we need to accommodate. We were able to identify that this short-term tenancy provider was available in the same building that we have our core tenancy available in. Because they were in the same building, we were able to use our core IT network by running the cabling through the building, and we wouldn't have to open up to an external network provider or lay additional cabling. The tenancy itself was very short term and flexible. We would expect in the long run—subject, of course, to whatever COVID-safe rules come in in Victoria—

Senator AYRES: It is a bit difficult to hear. So do the technical reasons that you've described account for why it says there's an absence of competition for technical reasons? It seems to sit oddly.

Dr Arndt: Yes, it's in the same building, and we were able to connect to our core IT system, which is also in the building, and there were no other providers available on a short-term basis in that building.

Senator AYRES: Okay. Thank you. I haven't yet got the papers that you describe, but I might press on. The 2019-20 annual report has the Future Fund's asset allocation as at 30 June 2020. Are those figures still up to date?

Dr Arndt: We've just today released our 30 September asset allocation, but they're not materially different. It's fundamentally the same.

Senator AYRES: What's been the total investment fee or management expense ratio equivalent for the Future Fund for each of the last five years?

Dr Arndt: I don't have those figures to hand, but we report those numbers in the annual report every year and have done so for quite some years. In the 2019-20 year, the direct cost ratio was 0.197 per cent and the look-through costs were 0.93 per cent. And that was down quite considerably on the previous year because, of course, performance was down and, we don't like paying fees but, to the extent that we need to pay fees to investment managers, we seek to ensure that they're aligned on a performance basis.

Senator AYRES: What was the phrase you just used?

Dr Arndt: In the recording in our annual report there are direct costs, costs that the fund pays directly, and look-through costs, costs that are charged to vehicles that we invest in by fund managers but come off the net asset value. And we aggregate those up and report them transparently every year in the annual report.

Senator AYRES: Is that exactly the same as what another fund might report as its management expense ratio?

Dr Arndt: Senator, are you asking about super funds?

Senator AYRES: Yes.

Dr Arndt: I believe it would be calculated in a very similar way; yes.

Senator AYRES: So that includes all of the administration and management costs and investment costs all wrapped up, is that right?

Dr Arndt: I believe so, yes.

Senator AYRES: And you don't have that management expense ratio for the last five years in the front of your mind or available to you now?

Dr Arndt: I have the last three years.

Senator AYRES: Could you take us through the last three years, and perhaps provide the details for the other two on notice?

Dr Arndt: Sure, absolutely. I'll refer to the direct costs and the look-through costs separately because that's how we report them, because for accounting reasons they're different. For the Future Fund, the direct cost ratio in 2017-18 was 0.231 per cent; in 2018-19 was 0.203 per cent; and in 2019-20 was 0.197 per cent. So it's come down slightly over that period. For the look-through costs, in 2017-18, it was 1.34 per cent; in 2018-19, it was 1.42 per cent; and in 2019-20, it was 0.93 per cent. And those costs, typically, are dominated by performance fees for the underlying exposures and so track performance of the fund, and that's why they've come down over the last 12 months.

Senator AYRES: So you'd put those figures together, really, to get the management expense ratio. Is that right?

Dr Arndt: That's right.

Senator AYRES: So together what are they?

Dr Arndt: I might have to do the calculation in my head. Approximately 1.5 for the 2017-18 year, 1.6 for the 2018-19 year, and 1.1 for the 2019-20 year.

Senator AYRES: And there are no other costs?

Dr Arndt: There are operating costs for the agency, which are separate to the board, and they're also published in the annual report and the financial statements. But they're not material to the fund relative to the investment costs.

Senator AYRES: Can you go through each investment class and outline the total investment fees, or the management expense ratio equivalent, for each asset class?

Dr Arndt: We don't calculate them on that basis, because the way we approach building portfolios is to look at the whole portfolio and ensure all the different parts of the portfolio are working in concert. We don't think it assists our long-term objectives to look at asset classes in isolation. But, of course, the fees are higher in the asset classes where we're targeting manager skills, such as private equity and hedge funds, and lower—and we work very hard to get fees as low as possible—where we're targeting vanilla or beta market exposure such as equities.

Senator AYRES: I understand you might not have made those available in your annual reports, but in this process we get to ask questions and, ideally, get answers to some of these questions, because they are quite different asset classes and they do bring a different cost and different returns. Are you able to provide, on notice, an outline of the management expense ratio for each of the asset classes?

Dr Arndt: We don't apportion the centralised costs by asset class. For example, the management team's time and the technology investment and so on and so forth isn't proportioned in that way. But we can look at what the manager costs are on notice.

Senator AYRES: Can you provide that to us on notice? I understand your point that there's a cost at the centre that you might disburse equivalently. I'd be interested in hearing more on notice about what the methodology is when you come up with these figures, but I'd anticipate that there would be a set of central expenses. Each of the asset classes will have quite a different management expense, and I would like to see those set out for the committee.

Dr Arndt: We can do that.

Senator AYRES: Good. What proportion of the funds' asset allocation is to unlisted assets?

Dr Arndt: I might refer that question to my colleague Sue Brake, as she is running the investment program at the moment.

Ms Brake: The asset class exposures are also set out in the annual report. They're set by a number of different job sectors. I would need to add these numbers to come up with the net amount of liquid assets. I could give you an approximate number or I could take that on notice.

Senator AYRES: So you're not in a position today to say what proportion of the funds' asset allocation is unlisted assets?

Ms Brake: I don't have that number set out right now, no.

Senator AYRES: It is the kind of thing, between the two of you, that we should be able to get an answer to today.

Ms Brake: Absolutely. I am happy to add these numbers now.

Senator AYRES: It's not a question of that. It's really a criticism. I would have thought that you would be in a position, between the two of you, to answer that question on the spot. That should be a front-of-mind issue for you.

Dr Arndt: The way that we consider these types of issues is through a risk lens. We think about the liquidity in the fund as a whole and how the fund would perform in different market environments. If we've got investments in an unlisted, non-tradable asset then it can't be available to provide liquidity. That is the risk that we take, monitor and control.

With the way you've asked your question—is an asset listed or unlisted?—in practice, we think of it as a little more complex. We have some underlying exposures, for example, to hedge funds, who trade in assets that may be listed on markets when they make their investment decisions, but when we can't invest and redeem every day in those funds—we may only be able to do it monthly or quarterly or so forth—we think of the overall liquidity in the fund in that context. If I can answer your question with that lens, it would be approximately 40 per cent of the fund.

Senator AYRES: And do they make a positive contribution to the fund's net returns?

Dr Arndt: Of course the contribution varies through time, but over time, since inception, those asset classes have provided very strong returns.

Senator AYRES: So they're pretty important to the fund's overall performance?

Dr Arndt: Certainly.

Senator AYRES: How are those assets valued? Who performs those valuations for the fund?

Dr Arndt: There are a variety of measures used. For some of the underlying funds, such as private equity funds, the accounting standards around the world require the underlying managers to value the assets themselves in accordance with certain procedures, and then their auditor will confirm that those valuations are appropriate at the end of each year. For funds with underlying listed assets, there's an assurance program that goes on to verify the valuation of each asset on the valuation date. Directly held assets, or assets that are large—for example, in infrastructure and property funds—tend to be valued at least annually by independent valuers.

Senator AYRES: But they are consistent with the relevant accounting standards for those approaches?

Dr Arndt: Yes, and all of that process is reviewed by the ANAO at the end of every year.

Senator AYRES: So it's consistent with how the government broadly accounts for unlisted assets?

Dr Arndt: I'm not sure how the government does it, but it's consistent with the industry standard that we work in and it satisfies the ANAO's requirements.

Senator AYRES: Finally, on this issue, just on that 40 per cent—and I appreciate you want to come back to me on notice about the precise amount, with perhaps a little bit of detail about how you categorise an asset as unlisted—can you identify for me what proportion of that is in infrastructure, in actual things as opposed to funds? I am happy for you to do that on notice.

Dr Arndt: That's okay; I'm just pulling up the asset allocation we have put out today. The infrastructure allocation in the Future Fund as at 30 September is \$11.3 billion, or 6.9 per cent of the fund.

Senator AYRES: So a bit more than a seventh of the unlisted component?

Dr Arndt: Approximately, yes.

Senator AYRES: We're in a—how would you describe it?—low return environment. What is the likelihood of the Future Fund changing its investment allocations over the course of 2020-21?

Dr Arndt: I might refer that to my colleague Sue Brake.

Ms Brake: It is an interesting investment environment. The cash rates are going to stay low for a little longer, discount rates have contracted and cash flows are less certain. We think returns are going to be lower than they have been. We are also very aware of a range of vulnerabilities that the pandemic and the associated economic reactions to the pandemic have exacerbated. These things are leading to the uncertainties. They speak to how the financial market works and how you go about constructing portfolios. So we are positioned with flexibility in mind to make sure that we can not only withstand any further disruption but also benefit from it. Our job is to invest where we think evaluations make sense. But right now it is a difficult environment that requires us to look very carefully at what is and isn't representative value at the moment.

Senator AYRES: I don't say this is a criticism, but, to paraphrase what you are saying, the answer is: maybe. That's it, is it?

Ms Brake: I think the answer is: there is heightened uncertainty at the moment and our key strategy is to stay flexible.

Senator AYRES: Thank you.

Senator McKIM: Good morning, Dr Arndt. I want to ask you about numerous media reports that your chair, Mr Costello, confronted Rio Tinto about the destruction of globally significant Aboriginal cultural heritage at Juukan Gorge. Can you confirm that that did happen?

Dr Arndt: Our regular process for overseeing investments we make in listed Australian companies is to undertake engagement with companies where we have large holdings regularly. Indeed, we did have a meeting with the Rio Tinto board, at their request, as part of their engagement with shareholder process around this particular issue. That meeting was attended by our chair as well as myself and representatives of our investment stewardship and ESG team, and we did raise our concerns at that meeting, yes.

Senator McKIM: Thank you. What was the nature of what you raised with Rio Tinto, and can I ask you to respond to media reports that, in fact, either Mr Costello or someone else representing your organisation at that meeting called for resignations from Rio Tinto?

Dr Arndt: To start with the first part of the question: the discussion centred on the events that had occurred and the report that Rio Tinto's board had commissioned looking into the series of actions that led up to that, and, at that time, the board's decision about what the consequences for the individuals involved should be. The board sought our view on whether we thought that was appropriate or not. Our view was that the incident was significant and that an organisation which earned the vast bulk of its revenue and profit from mining operations in Australia, particularly in that region of Australia, should have better systems and processes to manage those risks—which, indeed, the board did themselves acknowledge. The view we put was that we didn't think the consequence was sufficient relative to the potential damage that would be done to the organisation and, ultimately, in the long run, its share price. As a long-term investor we are focused on our representatives on company boards acting in accordance with maximising value over the long run, which means acting appropriately and factoring these types of issues into their decision-making. It wasn't for us to tell Rio Tinto what to do or how to respond to that. We just expressed a view that we didn't think the consequence at that time was sufficient.

Senator McKIM: Do you have a view about whether the consequences that have arisen and evolved post that meeting have been sufficient?

Dr Arndt: I think it's certainly a strong statement by the board that that type of outcome is unacceptable not only to the board of the company but also to its shareholders. To be successful over time, that company—and, indeed, any other mining company—has to operate with the support of the local communities, so trust is important. I think it's certainly a good sign that the board was responding to some strong engagement from ourselves as well as large numbers of other shareholders in Australia, in the UK and around the world. It remains to be seen how the company will improve its processes and ensure that that type of situation doesn't arise again.

Senator McKIM: Thank you, Dr Arndt. I will paraphrase you here, and please let me know if I'm being unfair: I think you've just said part of the motivation for this was around safeguarding investments and share prices and so forth. Would you accept that there was an element of ethics in the way that the Future Fund approached this with Rio Tinto?

Dr Arndt: The lenses that we brought were: companies need to act appropriately and ensure that they continue to have a social licence to operate. Especially for a company such as Rio Tinto, which needs both local community and governmental support to continue to operate, it is important that it does so within societal expectations. In the long run, if it fails to have systems that allow it to do that with confidence, that will impair the share price.

Senator McKIM: Thank you. So, when you were reported in *The Australian* as saying in regard to Juukan Gorge, 'That is exactly the sort of issue we are focused on,' that relates to the answer you've just given around social licence, as well as the issue of the value of your investments? Is that correct?

Dr Arndt: Yes, it is.

Senator McKIM: Thank you. Previously you've given evidence to this committee that primarily the Future Fund has implemented sustainable development objectives through fund managers. Would it be reasonable to say that that's a view that has evolved somewhat in the context of Juukan Gorge and that you are now prepared to actively intervene and to advocate for sustainable development and social licence where you have investments?

Dr Arndt: Our approach has been quite consistent for many years. We've always thought that so-called ESG issues—but I think the number of issues that might be described as such is expanding—are important for commercial outcomes for long-term investors and for companies that we might invest in, and we've sought to integrate those issues into our investment decision-making. Where we appoint fund managers that invest on our behalf, we would expect them to do that. Indeed, part of our appointment criteria and our assessment and ongoing review criteria is focused on how well they do that job. In respect of holdings of listed companies both in Australia and elsewhere, we have always had a belief that exercising our ownership rights through proxy voting was an important aspect of that, and we've always done so. In recent years, we've ramped up our resources and our capability of engaging directly with companies, because that takes quite significant resources. So I think it is fair to say that we are devoting more resources to that now, but we have always done that.

Senator McKIM: Thank you. Would it be reasonable to say that the Future Fund is becoming a little bit more activist in its approach?

Dr Arndt: I don't think we've changed our approach. I think we have more resources devoted to that area now than we had previously.

Senator McKIM: Thank you. Obviously, if the world's going to avoid climate breakdown, we need to make sure we invest more into things like clean energy, electrifying the vehicle fleet and reforestation to draw carbon down out of the atmosphere, but we also need to get out of investments in carbon-polluting energy as quickly as we can. Given your comments about social licence, I ask you whether you believe that there is a loss of social licence underway in regard to, for example, fossil fuel companies.

Dr Arndt: I think there's no doubt that there are more conversations among the investment community and regulators about the risks of climate change. We agree that climate change is

a significant risk to long-term investors and needs to be taken into account, and that is what we do. We, of course, have seen more pressure on listed companies in respect of how they report their own carbon exposure and transition plans, and again we have supported that and support the TCFD framework so that there is a consistent, transparent framework for how companies might report. From that lens, yes, I think this is a conversation that is increasing and will continue to increase.

Senator McKIM: Thank you. But you are still invested in fossil fuels at the moment, aren't you?

Dr Arndt: Well, the board doesn't believe in exclusions as a general approach.

Senator McKIM: Except for tobacco?

Dr Arndt: With some limited exceptions, tobacco being one of them. In respect of our exposure to fossil fuels, we do think that is something to be aware of and, as we've already said, we agree that this is a risk that long-term investors have to manage. So we do work to understand the exposure of our assets or our manager strategies to this particular risk, alongside a lot of other risks that we also assess, and that forms part of our decision-making.

Senator McKIM: When you say you've done some work to try to understand that risk with regard to fossil fuels, is there anything you can share with the committee about the outcomes of that work, and specifically where you would rank the risk with regard to your investments in fossil fuels, compared to the other risks that you just mentioned?

Dr Arndt: It's very hard to rank. Right now I think the biggest issue we're facing is a macroeconomic one in the sense of the impact of COVID-19 on economies around the world and the way that both fiscal and monetary policymakers are responding to that and might do so in future. So that's where our primary medium-term focus for research and analysis is right now. In the longer term it's very hard to predict, but we expect that climate change related risks will feature more prominently. We have increased the description of our analysis of climate change risk in our annual report, which was released last week. In it we've set out that we are commencing some work to understand the carbon exposure at the whole-of-portfolio level, which is quite complex because there are complex interactions between holdings across asset classes.

Senator McKIM: Do you have a time frame for when you would expect that work to be done within?

Dr Arndt: It's ongoing currently. I don't have a time frame, because it will depend on what the findings are.

Senator McKIM: You've mentioned some exclusions, including tobacco, which presumably have been decisions of the board. We've now got this interaction with Rio Tinto. I'm wondering on what basis you would separate out fossil fuel investments and say, 'We're prepared to intervene with Rio Tinto' or 'We're prepared to have discussions with Rio Tinto about social licence and the reputational impact of the destruction of Aboriginal cultural heritage.' You're prepared to put exclusions in place around tobacco products, as you said, amongst other things, and yet are not prepared to take that approach with regard to the greatest public policy challenge facing humanity at the moment, which is to avoid the breakdown of the climate that underpins all life on earth.

Dr Arndt: I don't think the premise of your question's correct, Senator, with respect. We do believe and indeed engage with companies that we invest in that have material exposure to fossil fuels and climate change with a view to encouraging them to be transparent in their reporting about those exposures which enables investors, such as us, to make informed decisions about whether to hold those and to be transparent about their own transition plans, which a number of companies have been and some continue to be. We've had a large number of engagements of that nature with companies in our portfolio, just like we did with Rio Tinto. What our position is, in respect of fossil fuels, is that we think that's a better approach than a general exclusion approach, which is, again, consistent with the approach taken with Rio Tinto.

Senator McKIM: Do you mean a better approach for the fund or a better approach for the planet?

Dr Arndt: Our job is to maximise long-run returns, and that's the mandate we have to meet. We think the best way to do that is to ensure that us, our investment managers and the management of the companies we invest in are focused on these long-run risk issues, including carbon exposure and climate change, and managing them accordingly.

Senator McKIM: Has the fund at least drawn a line under investment in any new fossil fuel projects? As you'd be aware, many of the major banks and other financiers of major infrastructure projects have in fact said they will not invest in new fossil fuel. Is that something that your organisation has done, or are you still open to investing in new fossil fuel projects?

Dr Arndt: Our approach is consistent with what I've just described. We certainly see significant future risks to those types of investment opportunities, and we would want to take those risks into account in the pricing before we made any such decision. We haven't looked at any of those in recent years, to my knowledge, but certainly a few years ago when we did reapply the lens, that type of lens meant that they weren't attractive investments to us—those direct fossil fuel projects you refer to.

Senator McKIM: You've said that there is work underway in some of the areas that we've been discussing this morning. I just want to ask about the way you analyse things like price risks, transition risk and physical risk and what the internal assumptions of the Future Fund are with regard to some of those climate risks. Does the Future Fund have an internal assumption on carbon pricing?

Dr Arndt: We don't have a singular assumption about what path would go forward for anything—not for macroeconomic outcomes, not for market activity nor for carbon pricing. The reality is that it's very hard to predict what will happen in the world, and the approach we take is to consider a wide range of outcomes. When we look at climate change and the carbon pricing risks that you describe—price risk, transition risk and physical risk—we look at all three of those risks. We do assess a range of assumptions and scenarios that can be taken into account which sit alongside other scenarios that we would assess about the economic outlook and other issues related specifically to the opportunity in question.

CHAIR: Senator McKim, sorry to intercede but I have two other senators waiting and we are a little bit behind time—which is not your fault. I just want to check how much time you need.

Senator McKIM: I am nearly done. I reckon that we are 80 per cent through—so probably another five minutes.

CHAIR: Okay.

Senator McKIM: Thanks, Chair. Dr Arndt, I think you said that you are making some assumptions but not necessarily directly with regard to carbon pricing. Is that a fair precis of what you said?

Dr Arndt: If we were to look at a specific opportunity which was large enough to warrant us looking at it ourselves rather than through an investment manager, we would seek expert advice on those sorts of scenarios. But the vast bulk of things we would look at would be looked at by our investment managers, and they would have their own scenarios and advisers. Our process is to ensure that they have a robust process, rather than to look at their specific assumptions for every scenario.

Senator McKIM: Does that mean that things like transmission risk and price risk in relation to climate are not regarded as big enough for you to look at yourself at the moment and you are prepared to just allow that to be done by the fund managers?

Dr Arndt: No, that's not what I said. We are required to invest through investment managers and we want to ensure that their due diligence processes are robust to all material risks for their strategy—because different investment managers invest in different things. For example, if we were backing an infrastructure investment manager that invests in utilities or the power industry that could invest in areas that were more exposed to these types of risks, we would go into more detail in our due diligence than if we were investing in a manager, for example, in venture capital, where they were very unlikely to stray into that territory.

Senator McKIM: Are you aware that Swiss Re has recently set an internal carbon price of US\$100 a tonne as of 2021, rising up to US\$200 a tonne by 2030? Are you aware of that, which Swiss Re have made public recently?

Dr Arndt: I am aware of a wide range of scenarios for carbon pricing. They are the sorts of things that we take into account when we assess investments.

Senator McKIM: And you do that on an investment-by-investment basis, rather than at a strategic level? Would that be fair?

Dr Arndt: The whole-of-portfolio work that we've commenced will look at those types of things.

Senator McKIM: Alright. And it would be too early in that process to ask you what your assumptions will be around a carbon price, for example?

Dr Arndt: We're not making assumptions but we are running different scenarios, and it is too early for me to be able to answer that question.

Senator McKIM: Alright. I look forward to that work being done and hopefully being publicly available. Australia's three biggest customers for thermal coal, Japan, China and South Korea, have all said publicly in the last month that they will be massively reducing their domestic coal consumption. Is the Future Fund exposed to those markets?

Dr Arndt: We have investments in all of those countries. If the question is about the coal exposure—

Senator McKIM: Yes.

Dr Arndt: we do not, as I have just said, exclude companies just merely on the basis that they're in that industry. So I suspect we would have some exposure but I wouldn't expect it to be material.

Senator McKIM: Would you be able to take on notice whether you can provide the committee with the level of exposure that the Future Fund has in relation to coal in those countries?

Dr Arndt: I can take that on notice.

Senator McKIM: Does the Future Fund have an estimate of its exposure to potentially stranded fossil fuel assets?

Dr Arndt: No, we don't really think about it that way. It's very hard to define what 'potentially stranded' means, so I can't answer that question.

Senator McKIM: I don't think it's very difficult at all, because I think that all fossil fuel assets will become potentially stranded at some stage in the future. You can have discussions about when that might happen, but there are plenty that are stranded at the moment, in my view. Having said that, Dr Arndt, thank you for your responses to my questions and thanks, Chair, for the opportunity to ask them.

CHAIR: Thanks, Senator McKim. I'll go to Senator Bragg.

Senator BRAGG: Thank you, Chair. Dr Arndt, I have three quick questions for you. There's been some public discussion about the comparison of performance between the Future Fund and superannuation funds. It appears to me that these are quite difficult comparisons to make, chiefly because the Future Fund hasn't received a contribution into its core fund for some time. How long has it been since you received a contribution into your core fund?

Dr Arndt: I would have to look up the exact date, but the last contributions were around the sale of the Telstra holding, around the commencement of the fund—probably in 2007 or 2008, I suspect.

Senator Cormann: I think Dr Helgeby can assist with this.

Dr Helgeby: In 2005-06 and 2006-07, the fund was credited with the budget surplus, Telstra sale proceeds and shares.

Senator BRAGG: How does this difference in contribution flows affect your comparative performance with other structures that receive large annual contributions?

Dr Arndt: I can't comment on what other people might do but, from the Future Fund's perspective, we need to manage our liquidity very closely because we don't have the inflows. We have a range of investments that mean that fund if fund managers make drawdowns, or more often, because of the currency hedging programs that we undertake. So we do need to maintain quite a high level of liquidity in the fund. One of the bigger reasons for the increase in the cash balance, for example, and the sell down in private market assets that we've reported over the last six months, was indeed to build liquidity in the fund for those purposes.

Senator BRAGG: Have you given any thought to taking on—obviously, it wouldn't be a judgement for you—a broader role in terms of management of superannuation and similar financial assets?

Dr Arndt: That would be a decision for the government. But, if the government asked us to do that, then we, of course, would do it.

Senator BRAGG: And do you think that's viable?

Dr Arndt: That would depend on the nature of the request from the government. The process of investing in assets and asset management, investment management, is similar for different mandates.

Senator BRAGG: Which is effectively something that you've done over the last 10 years, as I understand it, by taking on additional mandates. Is that right?

Dr Arndt: As I said before, we have six public asset funds that we manage, all with different mandates.

Senator BRAGG: Do you have any views on some of the concerns that were aired in investment markets, particularly in relation to the super funds, in March this year around liquidity? Do you have any views about how some of these funds may have landed themselves in some difficulty when they publicly stated that they had in some form?

Dr Arndt: I don't think it's for me to comment on super funds and how they operate, other than to say liquidity risk and the management of liquidity is one of the key areas that we focus on and I think any long-term investor has to focus on. But they've all got their own situations, so I can't really comment on that.

Senator GALLAGHER: Thank you, Dr Arndt, and Future Fund witnesses for appearing today. I have a few questions that come out of your annual report. I will start with a question that comes from your opening statement, where you say the Future Fund weathered the storm well, proved resilient through unprecedented levels of market turbulence and there was a minus 0.9 per cent return for the year to 30 June. Is there a comparator fund anywhere against which you measure yourself or that has features similar to the Future Fund—not other funds that you manage within your portfolio. Is there a way where you can say, 'This was a reasonable return in this environment because we can see that this is what's happening everywhere else'?

Dr Arndt: It's a difficult question to answer, because every different fund has a different mandate and different tolerances, inflows, outflows and currencies. But we don't really compare ourselves across funds from an investment return perspective. What we do is build portfolios that would be robust to many future scenarios while thinking about the mandate that we have been given by the government, which is to achieve a long-running return of inflation plus four to five per cent on a rolling basis. For a long time, we've tried to build a diversified portfolio that would not be too exposed in a very significant market drawdown like the one we had in March and April. In a year where listed market investments fell by around one-third or more from peak to trough, we're satisfied that the arrangements we had in place, where we have more or less preserved the government's capital through that worst market in almost 100 years, are appropriate. And we are now quite well-positioned going forward because we've built liquidity in the fund. But there's quite a lot of risk in the outlook, particularly around monetary and fiscal policy. So we think it's prudent to continue to be conservative in how we look at that. We can't really compare to other funds, because they have different mandates.

CHAIR: When you say you've weathered the storm well and proved resilient, that's based not on any comparison but on your overall view of what you've been able to deliver in a pretty difficult environment? Is that view endorsed by the Board of Guardians as well?

Dr Arndt: Yes, of course; and we wouldn't have published those comments in the annual report if they didn't agree.

Senator GALLAGHER: I have a couple of questions about your annual report. From page 32 onwards, you report against your cost disclosures required under section 81 of the Future Fund Act. Against a number of funds—the Future Fund, the Medical Research Fund and the ATSILs Fund—there seems to be some movement in terms of costs with investment managers and, indeed, some big, lumpy movements around agency operations. I just can't see any notes that would explain that. On page 32 you have agency operations growing from \$23 million to \$73 million over two reporting years.

Dr Arndt: I can comment on that if you want, Senator.

Senator GALLAGHER: Okay. I'm sure there is an explanation, but I can't see it.

Dr Arndt: For the last two years, that represents a significant upspend in our investment in investment data and technology while we're onboarding new systems and building new capabilities which we think will assist in the investment performance. A lot of that is one-off projects; some of it will be ongoing. In the current year, there's also approximately \$20 million associated with the new office fit-out and move that we're undertaking.

Senator GALLAGHER: So it is large and it stands out, but it would go back once you've finished those larger capital investments—is that right?

Dr Arndt: It will go back to a degree, but the new technology and data systems require maintenance, require some technical expertise to maintain them and require us to buy certain data streams from private providers, so there will be some ongoing uplift in cost associated with that. But we think that's more than offset by the contribution it will make to the investment returns.

Senator GALLAGHER: Okay. In that same table, the amount for consultants and advisers to the board and agency also increased quite a bit. Is that linked to the same issue—that you're bringing on more consultants with these big projects?

Dr Arndt: Predominantly that's the case, yes.

Senator GALLAGHER: So you think it's all explainable on that front. Are you attributing those costs across the funds? Is that's what's happening here? When you go to the Medical Research Future Fund, it's got a similar thing happening. Is that just being smoothed across those so it incorporates those issues you've just raised?

Dr Arndt: Are you referring to the table on page 34?

Senator GALLAGHER: No, I'm on 37. I'm looking at cost disclosures under section 81. Under the Medical Research Future Fund, it has a similar uptick in agency operations and quite a large uptick in contracts with investment managers, by about \$9 million.

Dr Arndt: The agency operations are attributed, so that is the same explanation. As to the contracts with investment managers, they're the manager fees that the fund incurs. So two things happened during the year. One was that the fund got quite a lot bigger because the government gave a major inflow, so in dollar terms the costs got bigger, but in percentage terms they would have got smaller. The second thing that happened is that we've made quite good progress in investing in the portfolio, including more diversified assets, some of which

attract higher fees, although they provide attractive investment outcomes. That's another reason why these costs have risen.

Senator GALLAGHER: Okay. Some of this probably can be handled with a note when you have these large, lumpy movements that are seemingly explainable. Then, if you go down to the Building Australia Fund and the Education Investment Fund, they've had a drop in costs overall under the same disclosures. Can you explain that to me? Are they not part of—

Dr Arndt: Both of those funds were wound up during the year and the proceeds transferred to the Future Drought Fund and the Emergency Response Fund.

Senator GALLAGHER: Yes, I should have realised that. You made two comments in your opening statement about the uncertainty going forward: you raised monetary and fiscal support, and then you talked about economic shutdowns around the world and said, 'The potential for ongoing fiscal stimulus remains unclear.' Are you making those comments in a global context?

Dr Arndt: Yes. The biggest influence, of course, on financial markets globally is the US economy and the fed's and US government's fiscal policy. Those comments are true across the world.

Senator GALLAGHER: Okay. Thank you. That's it from me.

CHAIR: Thank you, Senator Gallagher. If there are no further questions for the Future Fund, I thank them for their attendance and evidence here this morning. The committee will now move to the Commonwealth Superannuation Corporation and the Department of Finance under program 2.7, superannuation.

Commonwealth Superannuation Corporation

[12:10]

CHAIR: I welcome Mr Damian Hill, Chief Executive Officer, as well as officers from the Department of Finance covering program 2.7, public sector superannuation. Mr Hill, do you wish to make an opening statement?

Mr Hill: Yes, I will. I am new to CSC, having commenced on the 13 July 2020. I have worked in the superannuation industry for many years and am looking forward to the opportunity to lead CSC. Now is an exciting time to be joining CSC. It is currently undertaking a number of initiatives, including pursuing a comprehensive organisational transformation that complements our superannuation expertise. The outcome of this work will also mean strengthened ICT systems and customer-centric improvements.

In addition to changes that are internally driven, there are a number of changes occurring in the superannuation industry as a whole. It is an opportune time to work in the super sector and rewarding to work in an industry that plays a key role in the retirement outcomes of individuals. As a result of COVID and having only recently commenced in this role, I have not had the opportunity to be fully briefed on all issues, particularly historic issues, that might come up today, so please bear with me if I need to take some questions on notice. I will refer to my colleague behind me. I look forward to supporting the Finance and Public Administration Legislation Committee. On that note, I will hand back to the chair.

CHAIR: Thank you.

Senator GALLAGHER: I think I'll have some questions that will fall under your reference to 'historical'. I don't know whether you or Finance are more able to answer these. The questions relate to an issue I think I've asked about before, on the unpaid super issue that I think started with DFAT employees but now seems to have a broader reach into other departments, including Home Affairs, AFP, ATO, the Bureau of Meteorology and perhaps others. Minister, I think I've asked you about this before and you were doing some sort of review into the extent of the issue. It's around the unpaid super allowances. I think it started with Foreign Affairs but then you've gone to have a look and it may affect other people. Perhaps you can start with giving us an update.

Senator Cormann: I think Dr Helgeby is probably better placed to provide that.

Dr Helgeby: I'd make a distinction between this and what you'd call normal routine checking, which goes on in every department all the time to just check that superannuation calculations have been done properly. That's an ongoing activity. We have discussed, in previous estimates, one specific activity, which I think you might be alluding to. Can I just confirm that it's actually the issue of rent-free superannuation that you wish to discuss?

Senator GALLAGHER: Yes.

Dr Helgeby: Since we last talked, court proceedings have begun. It's a DFAT case. Those court proceedings are underway, so that fact creates a bit of a limitation on what we can discuss here.

Senator GALLAGHER: Okay.

Dr Helgeby: I'd just flag that.

Senator GALLAGHER: Have you taken some advice on that?

Dr Helgeby: It doesn't directly involve Finance. It's a court case that involves DFAT. Obviously, we work with agencies on this topic, as we've discussed previously, and we support them to do the right thing.

Senator Cormann: Of course, from the government's point of view, Commonwealth departments and agencies are responsible for paying the correct superannuation contributions to their employees. Finance and the Attorney-General's Department are assisting relevant departments and agencies by advising on the legislative requirements and facilitating information sharing between entities. That working group has no role in investigating or resolving specific cases.

Senator GALLAGHER: But you have an interest in making sure that across the Public Service this issue is dealt with appropriately, and—

Senator Cormann: We want to see all Commonwealth departments and agencies comply with the law. As Dr Helgeby has just indicated, there is a case being brought forward and that obviously now has to play itself out and work its way through the system.

Senator GALLAGHER: Does the Department of Finance have an interest in seeing the matters dealt with consistently? In an answer to a question on notice I asked around this matter, the answer from finance was: 'It is for individual entities rather than the Department of Finance to provide advice on these matters.'

Dr Helgeby: That's right, and that answer is correct. As you might recall—we discussed this at earlier estimates hearings—these issues all relate to what the practices were of

individual agencies at particular points in time as they are related to particular individuals. So, by definition, it's not something where there can be a blanket whole-of-government response. It is something that requires individual agencies to do the work—I described it previously as 'doing the archival work'; that is exactly what it is—and to form their own views. What we do, as the minister articulated, is essentially facilitate a working group of people to make sure that they actually are aware of the issues in this area and are aware of the responsibilities. But the responsibilities are the responsibilities of individual entities.

Senator GALLAGHER: Because the AFP advised on 18 June: 'Finance is the responsible entity for the relevant legislation. Finance is working with agencies to determine a consistent response. That work is ongoing'.

Dr Helgeby: We are the responsible entity for the legislation. The issues that we are talking about are the application of the legislation, and that is why it has to go down to that level. As I have said and as the minister also said, we facilitate discussions amongst the relevant agencies—or amongst affected agencies—to understand what their obligations are.

Senator GALLAGHER: Have any of these claims—across the Public Service—been paid out at this point in time? Have there been any settlements reached?

Dr Helgeby: As I said, there is a court case, which is—

Senator GALLAGHER: Aside from that, have there been any agreements reached with employees?

Dr Helgeby: I'm only aware of possibly one.

Senator GALLAGHER: Possibly one?

Dr Helgeby: One individual.

Senator GALLAGHER: Not one department?

Dr Helgeby: No.

Senator GALLAGHER: One individual within a department—

Dr Helgeby: Yes.

Senator GALLAGHER: that might have other cases?

Dr Helgeby: I don't know.

Senator GALLAGHER: Can you say why? Was that the only individual circumstance that led to that being settled?

Dr Helgeby: We weren't party to that process.

Senator GALLAGHER: Okay. Was it recent?

Dr Helgeby: No. My understanding is that it goes back a couple of years—two years maybe.

Senator GALLAGHER: Okay. Does Finance have any level of oversight about potential liability here, and who would have to pay for it?

Dr Helgeby: Our focus is on the legislation and people discharging their obligations. I would stress the complexity of this issue.

Senator GALLAGHER: I'm not discounting that. I understand. Look-backs are terribly difficult; I understand that.

Dr Helgeby: Yes. No, we don't have a particular view on that. When people produce their financial statements, they think about whether this issue is material for them—and that happens normally; it's a normal part of the process. We don't take anything up into the whole-of-government statements in this respect.

Senator GALLAGHER: And you haven't yet. Were you in a bit of a holding pattern for this Federal Court case that is underway?

Dr Helgeby: Because it's a Federal Court case we're not really privy to exactly what the timing is going to be and all those sorts of things. I wouldn't describe it as a holding pattern; I would say that we are interested to see what happens. But our work with agencies—and the work of agencies—to consider their obligations continues.

Senator GALLAGHER: I think I read a comment somewhere from one of the lawyers involved in the matter which said: 'The Commonwealth is allowing individual agencies to take different approaches to managing this'. Is that fair?

Dr Helgeby: Individual agencies have to do the work here. Because this is about arrangements that apply at particular points in time, the only way to handle it is through individual agencies.

Senator GALLAGHER: But, in terms of resolving this, is there going to be a consistent approach? If it's identified that people should have been paid this money under the law, is there a consistent Commonwealth approach to that?

Dr Helgeby: This isn't really a thing like that. This is a thing about whether individuals in particular circumstances in particular entities may or may not have their entitlements calculated correctly. That is an individual entity responsibility.

Senator GALLAGHER: The last time we had a discussion on this—I haven't reviewed the *Hansard*—I did get the sense that you were trying to scope as much as you could the extent of the issue that might exist.

Dr Helgeby: We are definitely trying to understand which agencies think this might have been an issue for them in the past and over what time periods, yes.

Senator GALLAGHER: Do you know that?

Dr Helgeby: We're still working with people, because they're still doing their archival work.

Senator GALLAGHER: Okay. But do you know many agencies as of today think there is an issue here for them?

Dr Helgeby: Obviously there is DFAT. I think the AFP has also discussed that that they have some things they were exploring.

Senator GALLAGHER: So those are the big ones? I think I've seen other comments around ATO and the Bureau of Meteorology.

Dr Helgeby: I'm not aware of the ATO in this particular case and I haven't had any direct contact with the Bureau of Meteorology.

Senator GALLAGHER: So you're aware of DFAT and Home Affairs.

Dr Helgeby: Yes.

Senator GALLAGHER: Do you know how many employees might be involved?

Dr Helgeby: No. I couldn't give you a figure on that. The reason is: what we're talking about is individuals who at some point in time at a posting, for example, and who at that point in time were under a set of arrangements that applied in that entity for whatever that duration was—and because of that level of complexity, I just can't give you a number.

Senator GALLAGHER: So you haven't been given a number?

Dr Helgeby: No. I don't have a number.

Senator GALLAGHER: Okay. We will keep an eye on that as it rolls out and have further discussions. On Budget Paper No. 1, chapter 10-31. Is that the right way to reference these things? I'm just trying to understand. I read the notes, so I understand the difference between the actual result or the actual for 2019-20. It just seems to me—and it is linked to the discount rates and the low interest rate environment and all that. But is there a need to do another cost report, considering the—

Senator Cormann: It is entirely based on the discounted rates. That has a very material effect.

Senator GALLAGHER: No. But then you go back into the forward estimates—and drop right back.

Senator Cormann: Dr Helgeby will be able to explain it to you, but it is essentially just about totally related to different discount rates in different budget documents, based on the relevant standards that apply.

Senator GALLAGHER: But then you revert in the forward estimates to the rate—

Senator Cormann: Dr Helgeby will be able to explain.

Senator GALLAGHER: in the long-term cost report which uses a rate of five per cent which doesn't seem to me like it's going to be something that you will see in those forward estimates years.

Dr Helgeby: Just to confirm: we're talking about note (a) on 10-31, which is the note about the discount rates?

Senator GALLAGHER: Yes.

Dr Helgeby: This is a longstanding issue about how accounting standards treat actuals reporting and how we treat prospective reporting. In essence, the accounting standards require us to use a different measurement basis for actuals reporting. It's a spot rate, basically. In order to provide confidence over the numbers prospectively, we use the basis that's set out in long-term cost reports. So it's an actuarially determined thing. The long-term cost report is updated every three years and, in fact, there is a process which has just commenced.

Senator GALLAGHER: So that will be done this year. So it will be better reflective?

Dr Helgeby: So we're at the end of that three-year period where the interest rate environment was pretty different to where we are now.

Senator GALLAGHER: Okay. That's it from me.

Senator SCARR: I thought I'd ask you a few questions, Mr Hill. We have a bit of time. My interest was piqued when you referred to an organisational restructure. I note that in the past you've worked for AMP, Suncorp and Rest industry super fund. No doubt you were given a fabulous basis upon which to launch into your career with a degree from my old

university, the University of Queensland. When you're conducting an organisational restructure—and I've been involved in a number of organisations where there has been a change in leadership and it triggers a reassessment of the organisational structure—how do you go about that task and what are you looking to achieve?

Mr Hill: What I'm trying to do is transform the organisational culture aspects, some aspects of that, so it's not so much structural in nature in what I'm trying to do. I've been looking at the external environment since I've been on board. There are a lot of things that are obviously changing. A couple of those things which I'm really focusing on are in regard to the focus on the customer and, if you look in our annual report, about the feedback from our customers et cetera and the need to invest more in digital type transformation. Our customers would like to see a lot more in that area. Part of that is also culturally, about how do our staff themselves coming out of COVID, which has been culturally challenging, face the customer in that way? I always say that the customer journey is a contact sport, that you need to get out there with your end customers and understand exactly not only what they're saying but what they're doing and how they're feeling. We're trying to get a lot more research out of there. We're also seeing external changes in the technology area more broadly and on data et cetera. The changes I'm trying to bring to the organisation sort of take a lot of those external factors and try to put them in place of the current organisation. It's not, if you like, a structural reorganisation. I'm not trying to restructure the organisation; I'm just trying to refocus the organisation and the capabilities that it has.

Senator SCARR: You've talked about customer focus, so that's clearly part of the cultural paradigm you want to inculcate in the organisation. What are the other aspects of a successful culture for an organisation of this type you're trying to strive for?

Mr Hill: It's interesting just to reflect on the COVID experience. We, like most in the ACT, downed tools and went home at very fast rate—a lot faster than we thought. Coming out of that, a lot of our staff have actually evolved, developed and found ways to work more flexibly in the COVID environment, ways that we probably didn't perceive were possible before going into this environment. We're trying to work out how we actually look at the flexibility of our workforce and how we can reorganise the work that we do in order to continue to deliver to our customers, but maybe in a more flexible and maybe more family oriented way for females et cetera. We're really looking at some of our underlying governance and policies around that for the workforce. We continue to look in our broader governance aspect all the way through to our investment governance, for example.

Senator SCARR: Thanks very much. I look forward to watching development.

CHAIR: If there are no further questions for the Commonwealth Superannuation Corporation, I thank you very much for your attendance and your evidence here today. We look forward to seeing you again next time.

Proceedings suspended from 12:30 to 13:31

Department of Finance

CHAIR: The committee will now resume, commencing with our examination of the Department of Finance, beginning with outcome 1, the areas of outcome 2 for which Senator Cormann has responsibility and then, tomorrow, we will continue examinations of outcomes 1 and 2, outcome 3 and then the areas of outcome 2 for which Senator Seselja has

responsibility, IEPA and, of course, the AEC. As usual, my preference is to try to work through the programs logically and sequentially, but we will not dismiss any officials except by the agreement of the committee. As always, the department and the minister are very helpful. If something is not strictly in an outcome or we have gone past it, we can go back to it and revisit it. But, as far as possible, let's try to work through it sequentially. Senator Gallagher, you have the call for outcome 1.

Senator GALLAGHER: My first series of questions relate to the Leppington Triangle purchase. Are there officials in the room who are able to answer questions on that? Ms Huxtable, did you have a discussion or speak with Mr Atkinson about the Leppington Triangle purchase in preparation for today's hearing?

Ms Huxtable: No, I didn't. I had a meeting with him around the time that the Auditor-General's report was released—on another matter. That was 29 September. In the process, we had a brief discussion about the ANAO report, but more in the context of what he was doing within the department in terms of some of the work that he'd commissioned around the investigation work that had occurred.

Senator GALLAGHER: And the reviews, I think—specifically about the measures he has put in place.

Ms Huxtable: Yes. It was quite a general discussion and, as I've said, it was at the beginning of a meeting that we were having on another matter.

Senator GALLAGHER: Okay. So he didn't seek from you at any point your understanding of how this had occurred over the previous years?

Ms Huxtable: No. We haven't had a substantial conversation about it.

Senator GALLAGHER: Perhaps we will start at the very beginning then. According to the audit report, Finance was involved in some way in the early stages of this, dating back to 2016. Is that correct? Perhaps if you tell me and I can—

Ms Huxtable: In fact, in the audit report—and it is probably quite to go to the audit report if you have a copy—

Senator GALLAGHER: I do.

Ms Huxtable: It does set out some of the chronological issues in that regard. I will rely on my officers to go into that detail, but we did provide some broad procedural and process advice in the development of what was called the Leppington Pastoral Company strategy, which is referenced in the audit report. I am just trying to find the page. Do you have the page, Nick?

Mr Hunt: It's referenced in a couple of places: page 35 and page 60. On page 60, it's in paragraph 4.11—the strategy that was developed by Infrastructure.

Senator GALLAGHER: Okay. The page 35 reference takes us back to February 2016.

Mr Hunt: That's right. That's an internal briefing, I think, in Infrastructure, so we can't really comment on that.

Ms Huxtable: I think the reference that I was making was to the Leppington Pastoral Company's strategy, which was approved in October 2016 and which involved acquiring the Leppington Triangle by a compulsory process.

Senator GALLAGHER: That's right. So can you give me an understanding? It says 'consistent with the views expressed by the Department of Finance'—this is in February 2016—

Ms Huxtable: What page are you on?

Senator GALLAGHER: I'm on page 35, 2.69:

... it is proposed that any transaction be sought to be achieved by voluntary agreement in the first instance.

That says 'consistent with views expressed by the Department of Finance'. Was that the department's view at that point in time.

Mr Hunt: At that stage we hadn't been provided with Infrastructure's strategy. I think this refers to some preliminary comments that happened in late 2015, where some initial advice was sought about the Land Acquisitions Act. The general preference, I think, expressed by the department was that it's preferable to have agreement in most instances. Infrastructure then, I think—in relation to 2.69—expressed a view in their internal briefing that the complexities of the Leppington arrangement may make voluntary agreement to an early acquisition of the triangle difficult. I think that internal briefing reflected some preliminary comments. Our advice was then sought in July 2016 on a draft of the LPC strategy, and the premise in the draft strategy was compulsory acquisition. So then our engagement was on that compulsory acquisition strategy.

Senator GALLAGHER: Okay. I will just step back through that a bit. Your evidence, then, was that you think that the internal briefing in Infrastructure incorporated preliminary comments provided by the Department of Finance?

Mr Hunt: I think it reflected preliminary comments on the requirements of the Land Acquisition Act.

Senator GALLAGHER: In general?

Mr Hunt: In general.

Senator GALLAGHER: So not necessarily around Leppington Triangle?

Mr Hunt: I think we had been approached for early discussions about Leppington Triangle in general terms, but it wasn't until July 2016 that we received the draft strategy, and that was the point. From then on we were engaged on a compulsory acquisition.

Senator GALLAGHER: Okay. So how were the preliminary comments provided to Infrastructure? Was that via email or a document?

Mr Hunt: I'm not sure. We'd have to take that on notice. But they were quite preliminary discussions.

Senator GALLAGHER: How do you know they were preliminary if you don't know how they were made?

Mr Hunt: Because we hadn't received the strategy. We received the draft strategy in July 2016, and we provided process and procedural comments, as the secretary said and as I think the report reflects, on that draft strategy.

Senator GALLAGHER: But, for your state of knowledge to come here today, has someone told you? Were you there at the time, Mr Hunt?

Mr Hunt: I wasn't, so that's my broad understanding.

Senator GALLAGHER: So someone has advised you that they think it was preliminary comments?

Mr Hunt: Preliminary discussions.

Senator GALLAGHER: Preliminary discussions. So were there meetings? Is there any official record which would lead you to believe that that's what happened?

Mr Hunt: I'd have to take that on notice.

Senator GALLAGHER: Okay. That's from late 2015, you believe.

Mr Hunt: That's my understanding, Senator.

Senator GALLAGHER: And you'll take on notice how you understand that to have occurred. By July, when Infrastructure came back to the Department of Finance with the draft strategy, at that point in time it was discussing a compulsory acquisition?

Mr Hunt: That's correct.

Senator GALLAGHER: And then Finance provided advice on that?

Mr Hunt: We provided comment and advice on the processes under the LAA to pursue that course of action.

Senator GALLAGHER: Was there anything other than just 'this is what the legislation says'? Did you endorse the strategy? Did you have any more involvement in the development of the strategy?

Mr Hunt: We indicated that it could be supported under the LAA, in principle.

Senator GALLAGHER: The strategy as it was drafted?

Mr Hunt: The compulsory acquisition strategy, that's correct.

Senator GALLAGHER: What happened after July 2016, from Finance's point of view? When was the next time Leppington Triangle appeared on your radar?

Mr Hunt: This was probably spelt out in the documents tabled by Infrastructure. They tabled a chronology of events.

Senator GALLAGHER: Did they provide that to you ahead of time? Did you have the opportunity to comment on that document?

Mr Jagers: Yes, we did see that before it was tabled.

Senator GALLAGHER: That was earlier this week?

Mr Jagers: We saw it late last week, I think—after the question had been asked and before the response had been provided.

Senator GALLAGHER: It must have been this week, in estimates.

Ms Huxtable: It was tabled on Monday.

Senator GALLAGHER: Yes. But you saw it late last week?

Mr Jagers: That's right.

Ms Huxtable: That's because there were a few references to us in that. As a courtesy, they wanted to be sure we were aware of that.

Senator GALLAGHER: Between July 2016 and 25 January 2018, there wasn't any Finance involvement?

Mr Hunt: Sorry?

Senator GALLAGHER: We've got up to July 2016, when you've got the draft strategy and you provided advice back to Infrastructure saying that's consistent with the Land Acquisitions Act. The next involvement of Finance is as per the document tabled by Mr Atkinson, on 25 January 2018. So nothing happens in the department between July 2016 and January 2018 on the Leppington Triangle, is that correct?

Mr Hunt: I think there was some discussion about the comments that Finance had provided on the strategy, but the detail of that I'd have to take notice. There were some exchanges clarifying our comments.

Senator GALLAGHER: On the strategy?

Mr Hunt: That's right, on the strategy.

Ms Huxtable: Just to be clear: we initially received a draft strategy. We provided some comments on that strategy. Later in 2016 we received a finalised strategy—and the strategy was compulsory acquisition.

Senator GALLAGHER: On 15 October it is endorsed as the acquisition strategy.

Ms Huxtable: Yep. We received it in October, I believe.

Mr Hunt: The finalised strategy was provided to us on the 24th.

Senator GALLAGHER: After it had been approved by the department of infrastructure?

Mr Hunt: That's correct.

Senator GALLAGHER: So you got it on 24 October as the final acquisition strategy, which still at this point was compulsory acquisition?

Mr Hunt: That's correct.

Senator GALLAGHER: And there were discussions between July and October, just as that was being fine-tuned?

Mr Hunt: I think there were just some clarifications of our comments.

Senator GALLAGHER: You've got the final acquisitions strategy. What is the next point of involvement for Finance? Did you have any ongoing role between then and the next stage of the process?

Mr Hunt: We didn't have an ongoing role from there, as far as I understand.

Senator GALLAGHER: There's a land acquisitions area within the department?

Ms Huxtable: Yes. Mr Hunt is responsible for that area.

Senator GALLAGHER: That sits—I did print off your org chart somewhere today; I thought it would be useful—in your area, Mr Hunt.

Mr Hunt: Yes.

Senator GALLAGHER: In a general sense, aside from Leppington Triangle, as land is being acquired by the Commonwealth, does that area routinely have a monitoring or an ongoing role to see what departments are up to?

Mr Hunt: Our role is providing advice on the LAA, the Lands Acquisition Act, and on the processes and procedures to be undertaken through the different paths through that act, depending on the approach taken, and then operationalising certain decisions, as reflected in the chronology tabled by Infrastructure.

Ms Huxtable: Importantly Senator, in that regard, where the path of acquisition is one of compulsory acquisition, then the finance minister has a role which is set out in the ANAO report. Clearly, in supporting the finance minister to exercise his decision-making power, we would go through our own assurance process to assure him or his delegate in that regard. But this, of course, was not a compulsory acquisition.

Senator GALLAGHER: Not in the end? That was one of the issues.

Ms Huxtable: And Mr Hunt's area would be responsible for doing that.

Mr Hunt: We'd be responsible for that; that's right.

Senator GALLAGHER: If it had continued along the path of compulsory acquisition, as was outlined in the strategy, it would at some point come back to your area and then you would brief up to the minister?

Mr Hunt: We would brief the minister; that's right.

Senator GALLAGHER: Then he would sign off?

Mr Hunt: Yes.

Senator GALLAGHER: I presume there's a file on the Leppington Triangle in Finance, is there?

Mr Hunt: I don't know if there is, Senator. I haven't seen a file on the Leppington Triangle. I haven't looked at a file—I can't answer that. I presume we have records from then. I know the team has searched through a variety of electronic records, but whether we have a paper file I'm not sure.

Senator GALLAGHER: Have you asked whether there is? This has been a big issue for a few weeks now. I would've thought that in preparation for today people would've done suitable research about what exists on file and what Finance's role is.

Mr Hunt: I don't think we start a file on every Land Acquisition Act process.

Senator GALLAGHER: You don't think?

Mr Hunt: I don't think we do—

Ms Huxtable: We'd be dealing with many requests from agencies to provide advice on the Lands Acquisition Act, remembering that it is the agency that is the accountable authority and they're the ones who would be creating the files and briefing their decision-makers in that regard. It will depend on what the particular issue is in front of us at the time, but Mr Hunt's area and areas in the PGPA Act would be liaising on a daily basis with entities on a whole range of matters. Remember, this was the subject of an ANAO report. We were approached by the Audit Office—someone's going to tell me the date—

Mr Hunt: I think it was November

Ms Huxtable: Late in 2019 the ANAO sought—

Senator GALLAGHER: So you knew there was an audit underway?

Ms Huxtable: Yes, we did.

Senator GALLAGHER: In November 2019?

Ms Huxtable: We knew that the ANAO was conducting an audit, in a general sense, in this area. We had engagement with the ANAO late in 2019—

Senator GALLAGHER: Sorry, Ms Huxtable, go back.

Ms Huxtable: We had engagement with the ANAO, in respect of this audit, late in 2019. Noting it was an audit—

Senator GALLAGHER: Was that around the financial statements?

Ms Huxtable: No, they were doing an audit on this in the infrastructure department. We provided the ANAO with whatever they sought at that time. The next we had any engagement with the ANAO—my advice is—was when we received the section 19 report in September of this year.

Senator GALLAGHER: September this year, you got a section 19—yes.

Ms Huxtable: Yes, and you'll see that there's a letter from me attached to the final report which is our response.

Senator GALLAGHER: When the Audit Office came looking, how did you collate the information if you don't know if there's a file or not?

Mr Hunt: We responded to the question they asked us. The question that they asked us at that time was to provide the kind of standard guidance we give to agencies undertaking acquisitions under the Lands Acquisition Act. We provided three documents. One was called 'Brief guide to the LAA', which the department produced in 2015. It's two or three pages long; there was a fact sheet from the Australian Government Solicitor on the LAA, and again that is two or three pages; and a document that is on our website which is really directed at landowners under the LAA, called 'The Commonwealth and you: compulsory acquisition of your land'. So we routinely provide that to agencies who are doing these processes. The Audit Office asked us what we routinely provide to them and that is what we provided. My understanding is that they didn't come back to us with any follow-up questions after that.

Senator GALLAGHER: Really? So that's it? You've given them three documents, which weren't specific at all to the Leppington Triangle but just general advisories?

Ms Huxtable: But those were the documents they sought from us. So we've responded to their request.

Senator GALLAGHER: I understand that.

Senator Cormann: The thing to understand here is Finance's role. Essentially, as soon as a decision is made inside Infrastructure to change from compulsory acquisition by agreement based on their own valuation strategy, Finance no longer had a formal role throughout the process because essentially that decision was in Infrastructure [inaudible]

Senator GALLAGHER: Yes. We haven't got up to that yet. We're up to the—

Senator Cormann: But that is why, I assume, the Auditor-General limited his inquiries of Finance on this point, because that was the relevant part.

Senator GALLAGHER: Yes. That doesn't mean I have to limit my inquiries.

Senator Cormann: No. But you asked the question. Effectively your question was: 'Why did the Auditor-General not ask you for more'? That is the context.

Senator GALLAGHER: It was: 'What did the Auditor-General ask you for?' And I now have the answer to that. As part of that, Ms Huxtable, knowing that there is this audit underway—they've come and asked you for this information, the three pieces of information, there was nothing that made you think, 'We should have a little look at what is going on with the Leppington Triangle'—if the auditors come looking?

Ms Huxtable: Remembering the audit was being conducted into the department of infrastructure, not the Department of Finance.

Senator GALLAGHER: Yes. But surely as—

Ms Huxtable: I would have a great deal of visibility of audits that are being conducted on the Department of Finance. At any point in time the Auditor-General will be conducting investigations across many entities and Finance has touch points with almost all of those entities. So, no, nothing would trigger itself immediately to me in that regard. I doubt that I was even aware, to be honest, that the information had been sought.

Senator Cormann: In fact, I refer you to specific ANAO testimony on this point. On Monday, this is what they said: 'Finance weren't particularly involved, and while they were involved in informing Infrastructure's decisions about the land acquisition strategy, that strategy was subsequently departed from.' That's what they said.

Senator GALLAGHER: I understand that. We just had previous evidence that you were aware in November 2019 that there was a performance audit being undertaken?

Ms Huxtable: Well, they sought information from us—

Senator GALLAGHER: Did you know that [inaudible]

Ms Huxtable: To be honest—

Senator GALLAGHER: Or did you think that was just happening at your level?

Mr Hunt: I don't think that came to the secretary. That came to—

Ms Huxtable: There were times when the Auditor-General will write to me specifically. I don't recall him writing to me on this matter until I received the section 19 report in September 2020, but I can check and take that on notice to see if I had any communication with him.

Senator GALLAGHER: I think you have answered in terms of Finance becoming aware in November 2019. I am interested in whether that was about a performance audit as opposed to issues falling out of the financial statements, because the issues that were raised in the sign-off of the financial statements led to the performance audit which, I understood, was undertaken this year.

Mr Hunt: There was an email, and I think it referenced a performance audit into the Leppington Triangle—

Senator GALLAGHER: In November.

Mr Hunt: so we had no visibility of the consequences of that having come out of the financial statement audit or any of that. It was just a broad very flat email saying they were doing a piece of work and asking for the guidance that we provide.

Senator GALLAGHER: I go back to stepping through Finance's involvement. We got up to the compulsory acquisition strategy being provided to you on 21 August 2016. Then we got to January 2018, didn't we, as per the chronology? Is that right? Is that the next time that Finance becomes involved?

Mr Hunt: Are you talking about the chronology that was tabled?

Senator GALLAGHER: By the infrastructure department. If there's any other Finance involvement in between, I'm relying on you to tell me, because it's not clear to me. You've told me that you got the final strategy in late October 2016. Then what happens after that?

Mr Hunt: That's right. The Finance delegate issued a pre-acquisition declaration, which is a notification under the LAA. It's a transparency mechanism to give notice of an intention to make an acquisition, and it's meant to provide an opportunity to the third-party interests to identify their interests, if there are any.

Senator GALLAGHER: And that's still on the pathway of compulsory acquisition at that point—is that correct? That's signed off by an assistant secretary.

Mr Hunt: I think that was after Infrastructure had changed their planned approach.

Senator GALLAGHER: Had they advised Finance as part of that? When did you become aware that they had changed their approach?

Mr Hunt: I think that was early 2018.

Senator GALLAGHER: Earlier than 25 January, or as part of them coming back to you to say, 'We need an acquisition declaration for the Leppington Triangle, and, by the way, we're not doing it by compulsory acquisition anymore'?

Mr Hunt: That's right; it was around that time.

Senator GALLAGHER: Did they have to explain that to the department in terms of getting that authorisation?

Mr Hunt: The decision on the approach was the department's decision.

Senator GALLAGHER: So you don't get a right to veto that—

Mr Hunt: We don't get a right to veto that, no.

Senator GALLAGHER: or even look at it? I think that sounds a bit odd.

Mr Hunt: They sought procedural advice about how the process would change.

Senator GALLAGHER: Doesn't that set off any flags for you guys if you've agreed that compulsory acquisition was the pathway? Why would Finance go, 'Okay, no worries,' if—

Mr Hunt: We weren't the decision-maker. The decision-maker on the acquisition approach was Infrastructure. Our main role was providing process and procedural advice on the steps that needed to be undertaken. So we provided that advice on the compulsory acquisition strategy and we provided advice on how those processes would change under an acquisition by agreement. But the decision was theirs, and we—

Senator GALLAGHER: In terms of the public interest or making sure there's proper process, is there no value-add from Finance in this area?

Mr Hunt: There is a value-add in ensuring that the processes under the LAA are met so that the acquisition can't be challenged. So there's a lot of value-add in ensuring—

Senator GALLAGHER: Except, under the LAA, land that was valued at \$3 million was purchased for \$30 million. So there's a fundamental problem there.

Ms Huxtable: But I think it's been widely acknowledged. The Infrastructure secretary has acknowledged that there are things he has put in train that need to be looked in terms of how that occurred. The fact is we were providing advice around the operation of the Lands Acquisition Act, and there are various pathways. There was an agreement around a compulsory strategy. In the event that that path had been trodden, then there would have been additional roles we would have performed as part of that, but, as the decision-makers within infrastructure determined that it was an acquisition by agreement, it was a matter for them to assure themselves that they were operating consistent with the PGPA Act and for them to assure themselves around the economical, ethical, efficient and effective use of public money. That's very much the discussion that was happening on Monday in Infrastructure estimates.

We can't reach in and be the decision-maker. That's not our role. Now, clearly, if we were acquiring land within the Finance portfolio, then I would have responsibilities and my officers would have responsibilities to ensure (a) that the Lands Acquisition Act was followed and (b) that the PGPA Act was followed.

Senator GALLAGHER: One of the issues that has arisen through this audit report is around how this happened. Why was there no way of, essentially, stopping it from happening? We've got a situation where something seriously dodgy/possibly corrupt has occurred within the administration. They've got to come to you guys to get the appropriate declarations under the legislation that this dodgy stuff is happening under, and yet what you're telling me is Finance has a completely hands-off approach to it and you have no ability or responsibility to ensure that what's happening under that act that you administer is not dodgy.

Senator Cormann: The process wasn't pursued by compulsory acquisition any longer. That's the core problem here. Clearly what has happened here is highly unsatisfactory and the secretary of the Infrastructure department has acknowledged that. He has initiated processes and there is an AFP investigation under way that is designed to get to the bottom of this. We must get to the bottom of this. The question you asked is the question I asked: how can something like this happen without appropriate checks and balances being triggered along the way? It's completely and utterly unsatisfactory. To that extent the Auditor-General has, of course, identified an issue that needs to be fixed. The work that the secretary of Infrastructure is doing—Infrastructure is the department where these decisions were made—is going to be important to ensure that we sort out this process to absolutely make sure that something like this doesn't happen again. It shouldn't have happened. It is completely unsatisfactory. That work is obviously now under way.

Senator GALLAGHER: If I've follow the chronology that Infrastructure provided, it says on 28 February 2018 the Department of Finance authorised the acquisition of the Leppington Triangle by-agreements as delegate under section 40(1) of the Lands Acquisition Act.

Ms Huxtable: Perhaps we can explain what that means. Was that going to be your question? Mr Hunt will be able to answer that.

Senator GALLAGHER: Yes. If you are authorising it then I would assume that Finance has satisfied itself that this is the appropriate avenue to use, with that section of the act applied to this land.

Mr Hunt: I think there are a couple of important issues here. I think the audit report makes it clear that the LAA was only one of the frameworks that this acquisition happened under.

Senator Cormann: Do you mean the Lands Acquisition Act?

Mr Hunt: The Lands Acquisition Act, that's right. The delegate signing off confirmed that the requirements of the Lands Acquisition Act had been met. So in an acquisition by agreement that would be the department and the landholder had agreed on an amount and that other formal processes like the pre-acquisition declaration had correctly been conducted under the process under which that can be challenged and that that hadn't occurred—all of those sorts of things. So the delegate was signing off that the requirements of the LAA had been met. But, as the Auditor reflects, there are also other frameworks at play here. The overarching responsibility under the PGPA Act, for the department to deliver value for money, is really what the fallback is for an acquisition by agreement.

Senator GALLAGHER: I understand the infrastructure department is up to its eyeballs in it; I get that. I am trying, under this part of the estimates program, to understand what Finance knew, what its role was and what the problems are, because there clearly are problems. If your area is authorising acquisition of the triangle, and this dodgy deal is able to get through, then that is a problem for Finance at some point, I would have thought. You can't just say, 'It's everybody else's fault', which is seemingly the evidence being given this afternoon.

Senator Cormann: I've got to say, I disagree with you there. The important point here is that the Australian National Audit Office, which went through this with a very fine toothcomb, looked at all of the ins and outs of it and identified this very serious issue. Having done all of that work, they did not direct any findings or any recommendations at Finance—none. They looked at all of this with a fine toothcomb in the context of the legislation, in the context of the duties and requirements and responsibilities of everyone involved. Clearly, there is a problem that occurred inside the infrastructure department; that is why the processes that the secretary of the infrastructure department has initiated are entirely appropriate and why the AFP investigation is entirely appropriate. If there was any issue here with the involvement of Finance, I would be the first to jump up. I take a lot of comfort from the fact that the ANAO, who actually brought this to the fore and who looked at this very, very carefully—all the ins and outs of it—did not, at the end of all of that, make a single finding or a single recommendation directed at Finance.

Senator GALLAGHER: But we know from previous evidence that they only asked for three documents, so I'm not sure you can say they have gone through this with a fine toothcomb with the Department of Finance.

Senator Cormann: In the judgement of the ANAO, that was what was relevant.

Ms Huxtable: I'm sure they have gone over every document that Infrastructure holds with a fine toothcomb and identified any input that was provided by Finance. I agree with the minister: if there were any issues where they had concerns about any advice we provided or any actions we took, I'm sure that would have been reflected in the audit. I've been audited by Mr Boyd before. He is very thorough, there is no doubt.

Senator GALLAGHER: He is very thorough. Earlier, Ms Huxtable, you made the point that it was a performance audit of Infrastructure, not of Finance, in relation to the Leppington Triangle.

Ms Huxtable: It was, but, clearly, in doing a performance audit of Infrastructure, they are going to go through every step and every document that Infrastructure has in that regard.

Senator GALLAGHER: But you also said that you don't know if there is a paper file on this, and nobody has looked for it, so—

Senator Cormann: What Finance has said is that the file would, appropriately, be held within the infrastructure department, whatever—

Senator GALLAGHER: I don't think they said that. They said they didn't know if there was a file; they hadn't looked.

Senator Cormann: In Finance there is documentation, clearly, that is relevant to Finance's involvement. Clearly, this was a transaction managed out of the infrastructure department.

Senator GALLAGHER: Again, this hearing is to examine specifically what Finance's involvement was. This table from Infrastructure says, to me, that the decision-maker that authorised the acquisition of the Leppington Triangle by agreement, which is the instrument that allowed this deal to happen, was 'the director, Lands Acquisition Act, administration, Department of Finance'.

Mr Hunt: Can I just reflect some words of the top of that document, under 'third-party consultation': 'The Department of Finance exercised delegations under the LAA to support the Leppington acquisition to operationalise decisions that had been taken by Infrastructure.' So the process is—

Senator GALLAGHER: So you're just a rubber stamp for dodgy deals, then?

Mr Hunt: No. I think we confirmed that the process specified under the LAA for these kinds of acquisitions, which is just part of the overarching series of frameworks that govern these sorts of decisions, had been followed appropriately.

Senator GALLAGHER: That section of the act says:

The Minister may authorise the acquisition by agreement of an interest in land, other than land in a public park, by an acquiring authority for a public purpose.

What process do you go through to satisfy that? Because there is a choice there: the minister may or may not, presumably.

Mr Hunt: That's right.

Senator GALLAGHER: So you're saying it's just a tick a box that they've met this part, but you don't actually look at whether the deal is dodgy or not.

Mr Hunt: We have to rely on the evidence, the material, provided by the relevant department. The department is doing the acquisition—

Senator GALLAGHER: So did you know it was \$30 million? Is that information provided? Did you get valuations provided to you?

Mr Hunt: We were aware of the amount being paid.

Senator GALLAGHER: Before you authorised that section of the act?

Ms Huxtable: Just to be clear, Senator—

Senator GALLAGHER: You knew it was \$30 million?

Ms Huxtable: In the ANAO report on page 47 it sets out the valuation strategy, I guess you could say, or process. So, while we were aware of the final agreed figure, the \$29.8—

Senator GALLAGHER: What page?

Ms Huxtable: Page 47.

Senator GALLAGHER: In the table?

Ms Huxtable: Yes, the table. You can see the bolded parts in the table, which I think are the ANAO's bolding.

Senator GALLAGHER: Highest and best use, yes, when they're going to build an IKEA on the runway.

Ms Huxtable: We were aware of the \$29.8 million, which was the agreed amount, but we were not aware of the detail as set out in this valuation strategy. And, similarly, in the ANAO report where there is the table, I think—

Senator GALLAGHER: Do you think you should have been, Ms Huxtable?

Senator Cormann: There's an important bit here, which is also covered in the ANAO report—page 9, I think it is.

Ms Huxtable: Yes, it's in two places, but the chart.

Senator GALLAGHER: Yes, I've seen the chart. I don't know how that strengthens your argument.

Senator Cormann: I'll tell you how it does.

Ms Huxtable: We were not aware of that either.

Senator Cormann: I've subsequently been advised that Finance was only aware of the higher valuation, not of any other valuations, and had not been consulted on any valuation strategy or implementation. The only valuation that was ever put to Finance, and this is covered in the ANAO report, was the highest valuation.

Senator GALLAGHER: Okay, let's go back then. How does Infrastructure present that deal to you? Can you explain to me how it got presented to you: was it in an email; was there a brief on it with a valuation attached, the high valuation that had industrial development occurring on the runway?

Mr Hunt: Senator, my understanding is that Infrastructure, or their legal advisers, prepared the instrument that we executed to undertake the 40(1).

Senator GALLAGHER: So you really did just kind of rubberstamp it?

Mr Hunt: No. We would've confirmed that the processes under the LAA Act for this kind of acquisition were complied with.

Senator GALLAGHER: But here's one I prepared for you earlier.

Mr Hunt: Senator, I think it's really important to draw a distinction between the decision-maker, so a decision is being taken—

Senator GALLAGHER: It says to me that Department of Finance was the decision-maker.

Ms Huxtable: We are effectively operationalising that decision, but we are not the decision-maker. The decision-maker is in the infrastructure department; they're making a decision, ensuring that both the LAA requirements and the PGPA requirements have been met. That is my understanding of how these—the preacquisition declaration on 25 January is a step where there is a gazettal of a proposed acquisition of land to enable opportunity for public comment. The 28 February authorisation under section 40 is operationalising the decision-maker's decision.

Mr Hunt: And that's clear in the ANAO report.

Ms Huxtable: Mr Hunt, tell me if I'm wrong, but I believe that's how it works.

Mr Hunt: That's correct, and it's clear in the ANAO report as well.

Ms Huxtable: So we are not standing in the shoes of the decision-maker. The decision-maker has made their decision and advised us of that decision.

Senator GALLAGHER: But under the act, you are the decision-maker.

Senator Cormann: No, we are not the decision-maker.

Senator GALLAGHER: You are.

Senator Cormann: No, that's just not true.

Senator GALLAGHER: It says here the director which signs off—is a delegation from you to them, presumably—authorises the acquisition of the Leppington Triangle by agreement.

Senator Cormann: The decision has already been made by the decision-maker in the infrastructure department.

Senator GALLAGHER: So you're a phantom decision-maker? That's not how the act is written, though, is it?

Senator Cormann: Again, the Auditor-General, who has had a very close look at this, clearly takes the view—the right view—that the decision-maker was in the infrastructure department and that under the LAA, the Lands Acquisition Act, all the delegate in Finance does is operationalise any decision that was made in the infrastructure department.

Ms Huxtable: I would add, too, that it's very clear from the audit that it's the Auditor-General's view that the decision-makers in Infrastructure were not being appropriately advised on the land acquisition. I know they went through that with you on Monday. It's set out on page 8 of the report.

Senator GALLAGHER: Yes, it's pretty obvious. I'll come to the review of the Land Acquisitions Act, but under the Land Acquisitions Act, Minister, you are the decision-maker with the delegated authority—

Senator Cormann: I'm only the decision-maker for compulsory acquisitions. I had no visibility of this.

Senator GALLAGHER: No. Under section 41 you are the decision-maker. You've delegated that responsibility down to an official, I understand, but that's what the act says. It doesn't say the relevant agency is the decision-maker and then you just endorse it. It doesn't have you as an endorser; it has you as a decision-maker.

Senator Cormann: You clearly—for entirely objective reasons, I assume—take a very different view to the Auditor-General.

Senator GALLAGHER: I don't think the Auditor-General looked at any of this, to be honest. He was so tied up with all the alleged corruption that was happening somewhere else. I'm not sure it is a ringing endorsement. It's silent on—

Ms Huxtable: I'm sure if he came to the view that we had acted in any way inappropriately he would have drawn that out in the report and he would have made recommendations about Finance.

Senator Cormann: Of course he would have.

CHAIR: We had him here before the committee the other night, Senator. Questions like this could have been put to him then, and they weren't.

Senator GALLAGHER: Thank you, Chair. I missed that section of the hearing.

Ms Huxtable: I think there was one question asked in respect of the role of the Department of Finance. I'm not sure if the officers have it.

Senator GALLAGHER: So much love for the Auditor-General!

Ms Huxtable: Mr Boyd made the point then that, as soon as this became a non-compulsory process, Finance did not have visibility or a role.

Senator GALLAGHER: Let's explore that a little bit. On 25 January, the pre-acquisition declaration was still, to Finance's understanding, a compulsory acquisition.

Mr Hunt: I think the pre-acquisition declaration by then—

Senator GALLAGHER: You're saying it had changed?

Mr Hunt: They had advised that they had changed to a—

Senator GALLAGHER: How did they advised that?

Mr Hunt: This is outlined in the audit report in some detail.

Senator GALLAGHER: But in terms of your records, in your area, did you get an email? How were you formally advised?

Mr Hunt: I will have to take on notice how we were actually advised that the decision had been made to change that approach, but it was certainly clear to us when the draft pre-acquisition declaration was provided.

Senator GALLAGHER: So you were aware by 25 January but you're not sure as to when you were advised? Some time between 2017—

Ms Huxtable: I'd say it was toward the end of 2017, but we'll take on notice the exact date and what was provided.

Senator GALLAGHER: I must say I would've thought this would've been some routine estimates prep—to understand a timetable of what Finance's involvement in this was. If you're able to come back today, that would be useful. The other thing is: at the point that you were told the previously-agreed LPC land acquisition strategy was changed, what information did Infrastructure provide you with?

Mr Hunt: We will check when we were advised that the decision of Infrastructure was to change approach and what was provided then.

Senator GALLAGHER: Going back to the valuation strategy, the audit report says: The Department agrees— this is Infrastructure— that the valuation strategy was unorthodox.

Ms Huxtable: Do you have a page number?

Senator GALLAGHER: I don't have that page number in front of me. I have it highlighted. Hang on. I've got a list.

Ms Huxtable: Oh, okay. That's in the Infrastructure response, on page 13.

Senator GALLAGHER: Yes, it is. It's in Infrastructure's response to the audit.

Ms Huxtable: Yes, it's page 13.

Senator GALLAGHER: Yes, helpfully highlighted but not tagged:

... the valuation strategy was unorthodox. However, we note that the strategy was developed in consultation with the Department of Finance and the Australian Government Solicitor and was designed to mitigate the risk of costly and lengthy legal challenges.

Do you agree that the valuation strategy was unorthodox?

Ms Huxtable: We didn't have visibility of the valuation strategy.

Senator GALLAGHER: So you think Infrastructure's stretching the friendship a bit there when it says, 'However, we note that the strategy was developed in consultation'?

Ms Huxtable: This is a statement from Infrastructure. Infrastructure considers that the valuation strategy was unorthodox.

Senator GALLAGHER: Yes, I know, but I'm asking you whether you think it was unorthodox.

Ms Huxtable: I didn't have any visibility of the valuation strategy.

Senator GALLAGHER: But you know it now. Do you think it was unorthodox?

Ms Huxtable: In hindsight, and looking at the findings of the ANAO report, there certainly seem to be questions to be asked.

Senator Cormann: There are clearly serious issues, which is why the secretary of Infrastructure initiated the code of conduct inquiry that he's initiated.

Senator GALLAGHER: But from your point of view, Minister, you see no issues from your department at all? It's all gone very well from where you sit?

Senator Cormann: I'm clearly concerned about what has happened, but I'm also aware that the Auditor-General has gone through this with a fine toothcomb and that the Auditor-General at no point made any findings against Finance and did not direct any recommendations at Finance. Clearly, Finance had been involved in providing advice in the context of the original acquisition strategy and about compulsory acquisition and relevant processes under the Land Acquisition Act, but Finance was not involved in the valuation strategy or implementation and was not consulted about it. I think, quite frankly, that it should have been and that Infrastructure should have reached out in a better, different way in the context of this process. That hasn't happened. This is in the past. So that is why the secretary of Infrastructure has got this process to get to the bottom of what happened and why so it can

be prevented from happening in the future. That is the bit that I'm satisfied with. I can't change the past. Obviously, as part of the broader effort, I'm interested in how this is going to be fixed for the future so that something like this doesn't happen in the infrastructure department again.

Senator GALLAGHER: Yes, absolutely. But, again, from where you sit, you don't think are any changes that need to be made for the Department of Finance and its responsibility under the Land Acquisition Act to stop this happening?

Senator Cormann: We're currently reviewing the Land Acquisition Act, and of course we'll consider how the processes could be further improved. Of course we'll be doing that.

Senator GALLAGHER: Have you asked your secretary to do that based on the Leppington Triangle?

Senator Cormann: Independent of this, I have already asked the department to review the Land Acquisition Act, because there are issues also in the context of the compulsory acquisition arrangements which are not entirely straightforward. I certainly have asked that these issues be considered as the information comes forward out of the work that is being done within Infrastructure. But I had no visibility of this transaction at all, personally. The first I heard of any of this was in a briefing from Finance on the day after the ANAO report had been published and tabled in the parliament. So that was the first visibility I had of any of this happening. Having looked at what the ANAO report has said and having considered all of the processes that have been initiated, including an AFP investigation, my view is: let's let these processes take their course, get to the bottom of what happened and then make whatever decisions are required, in whatever part of government, to ensure that the processes are improved.

Senator GALLAGHER: Isn't that a problem in itself, though?

You've got this completely dodgy deal that everyone accepts just stinks and you find out about it the day after a report's tabled?

Senator Cormann: Of course it's a problem.

Senator GALLAGHER: You're the Minister for Finance. Surely, there should be some way that—

Senator Cormann: Somebody inside Infrastructure did something wrong—that much has been established. The secretary of Infrastructure has made very clear that he's initiated a relevant process to get to the bottom of what happened and why. Until such time as that work has been completed, I can't second-guess what precisely has gone wrong, what has happened. There is a law enforcement investigation underway. I don't know what I don't know. I don't know among 260,000 public servants what every single public servant does at any one point in time.

Senator GALLAGHER: But you have responsibilities under the Land Acquisitions Act. It's staggering that you are the last person to know about it when it was basically approved with your authorisation.

Senator Cormann: It wasn't approved with my authorisation.

Senator GALLAGHER: It was!

Senator Cormann: That's just not true.

Senator GALLAGHER: It was under section 40(1) of the Land Acquisitions Act. You are the decision-maker. You allowed it, or your delegate allowed this purchase to occur.

Senator Cormann: You're now for political purposes trying to create an impression that is false. I was not the decision-maker in relation to any aspect of this. I had no visibility in relation—

Senator GALLAGHER: Well, your delegate.

Senator Cormann: to any aspect of this, so stop misleading the Australian people.

Senator GALLAGHER: I'm not trying to mislead. I'm trying to—

Senator Cormann: You are misleading.

Senator GALLAGHER: No, I'm not trying to mislead. I'm saying—

Senator Cormann: You're absolutely misleading.

Senator GALLAGHER: that if Finance hadn't authorised this purchase, it would not have proceeded.

Senator Cormann: The decision was made inside Infrastructure through their processes.

Senator GALLAGHER: I understand that—

Senator Cormann: It was signed off in Infrastructure—

Senator GALLAGHER: but it was facilitated through your department.

Senator Cormann: by their senior officers. These processes are now under scrutiny. The ANAO, which very closely looked at all of this, has been very clear in directing recommendations at Infrastructure, and not a single finding and not a single recommendation at Finance.

Senator GALLAGHER: But am I wrong to say that, if it had not been permitted under the Land Acquisitions Act, this sale would not have proceeded?

Senator Cormann: You are trying to create a false impression. That was not something that was open to Finance in the context of a decision that had been taken—

Senator GALLAGHER: It is open to Finance. They weren't told and they didn't ask perhaps, and the role is different. But they are responsible for the act for which this dodgy deal was facilitated.

Senator Cormann: I disagree with you, and the ANAO—

Senator GALLAGHER: I don't think there is anything to disagree with.

Senator Cormann: has a very different view from yours. I understand why you take a political view. I understand the reason why—

Senator GALLAGHER: No, I'm trying to work out how it happened and, again, make sure that it doesn't happen again.

Senator Cormann: You're taking a political view that is inconsistent with what happened and inconsistent with what the ANAO has found.

Senator GALLAGHER: So, Minister, what have you done to satisfy yourself that the way the Land Acquisitions Act is currently being administered is being done in a way that would not allow a purchase like this to proceed?

Senator Cormann: As I've indicated to you, I've already initiated a review of the Land Acquisition Act. The ANAO report clearly is going to feed into that broader review. Furthermore, the work that is being done within Infrastructure, the work that has been initiated by the secretary of the infrastructure department, to get to the bottom of precisely what happened here and why will also feed into that work. To the extent to which the Land Acquisitions Act and the processes in relation to land acquisition need to be improved and strengthened, that will be done.

Senator GALLAGHER: But what if there's a deal like this going down right now?

Senator Cormann: That's obviously something—

Senator GALLAGHER: Do you reckon you'll be told about it after it's all signed, sealed and stamped?

Senator Cormann: I don't think that any single person is able to be aware what 260,000-plus people are working on at a particular point in time. That's why there is devolved responsibility in each agency to deliver value for money under the PGPA Act. In relation to infrastructure, that is a responsibility that is held by the infrastructure department. No single person can know what every person across the entire public service is doing at a particular point in time.

Senator GALLAGHER: Surely, with a report like this, when you see the amount of public funds that have been expended, you don't think there's anything that you need to do in the interim to put in place protections to make sure this isn't happening and money won't be wasted like this?

Senator Cormann: Obviously, every secretary across every department and every head of every agency have a responsibility to ensure that that agency delivers value for money.

Senator GALLAGHER: But I'm asking you as the finance minister.

Senator Cormann: As the finance minister, I am making sure that Finance delivers value for money.

Senator GALLAGHER: So there's nothing that needs to happen now—nothing in the Department of Finance?

Senator Cormann: I've already indicated to you that we have initiated a review into the Land Acquisition Act. Obviously we need to wait and see what the outcome of the processes is going to be inside Infrastructure before we consider appropriate next steps.

Senator GALLAGHER: But you haven't changed any of the procedures that would have led to inadequate information being provided to Finance, which then facilitated a purchase. Nothing has changed and nothing needs to change until you have done your review, which consultations have just completed on?

Ms Huxtable: They closed on Monday, I believe. My response to the report—you'll see it's in the report—is that we will take account of the findings and recommendations in the report and that we will consider those as part of the LAA review and also in the course of any guidance issued to entities. We take ANAO reports very seriously, certainly in how we administer the various acts where we have a coordinating function. We will look very carefully not just at this report, but at all the work that's going on now beyond this report, in

terms of the AFP investigation and the work that Infrastructure is doing to see if there are any lessons learnt going forward.

Senator GALLAGHER: What's the time frame on the Land Acquisition Act review? I see that it has just finished public consultation, I think, in mid-October?

Ms Huxtable: That's correct.

Senator GALLAGHER: So how long—

Ms Huxtable: Mr Jagers or Mr Hunt can help you with that.

Mr Jagers: We have now finished the public consultation process and are working through the review. We obviously have submissions to work through.

Senator GALLAGHER: How many did you get?

Mr Hunt: It was 19, I think.

Mr Jagers: We have a steering committee working on the review. We're working as quickly as we can on it.

Senator GALLAGHER: Did the states and territories provide submissions? Were they one of the 19? I assume the ACT government might have.

Mr Jagers: Let me just check.

Ms Huxtable: We consulted with them, but we did not get any formal submissions.

Senator GALLAGHER: Can I just go back to this point of the Infrastructure response to the audit on page 13, where it says that the strategy was developed in consultation with the Department of Finance. Do you agree with that—that it was developed in consultation with Finance?

Mr Jagers: The original acquisition strategy that involved a compulsory acquisition was developed by Infrastructure, but with information that had been provided, as Mr Hunt said, by the Department of Finance, in terms of advice around the operation of the LAA. Certainly in relation to valuation, Finance had provided advice to Infrastructure that it would need to obtain independent market valuations for Leppington. Finance was not involved in the development of instructions to the valuer—page 47, the set of instructions and changes to instructions that identified there. We didn't actually see any of those other valuation reports or outcomes until after the ANAO's audit report had been provided to us as a draft.

Senator GALLAGHER: Did you provide comment on that?

Mr Hunt: On the draft audit report?

Mr Jagers: The secretary's response is in the audit report.

Senator GALLAGHER: You wouldn't have seen Infrastructure's comments at that stage, then?

Ms Huxtable: No. We saw those when the report was published.

Senator GALLAGHER: Considering that the valuation strategy is at the heart of the alleged corruption or wrongdoing here, do you agree with the infrastructure department's view that this valuation strategy was developed in consultation with Finance? Or do you think that's a bit of a stretch?

Senator Cormann: My very firm advice from Finance is that it was not developed in consultation with Finance and that the infrastructure department accepts that.

Senator GALLAGHER: Now? They accept that now? Because that is not what they wrote to the Auditor-General. Have the infrastructure department misled there?

Senator Cormann: I'm quoting directly from briefing notes that I received from Finance on the 21st.

Senator GALLAGHER: Do you want to table that?

Senator Cormann: I have handwritten notes all over it.

Senator GALLAGHER: A clean copy?

Senator Cormann: I am happy to table a version of it if my office can get it without my handwritten notes on it. I'm just quoting it on you. 'The report references engagement between Infrastructure and Finance in 2016 in relation to the acquisition. Having examined our records, Finance was consulted on the acquisition process and its compliance with the Land Acquisition Act, but was not consulted on the valuation strategy or implementation.'

Senator GALLAGHER: So that's Finance's view. You've been quite polite here, I think. You haven't said that; the minister has said that. Your advice to the minister is that you were not consulted on the valuation strategy; yet that's what Infrastructure sent back to the Auditor-General. So have they misled the Auditor-General with that statement?

Ms Huxtable: You would have to ask them what they were considering to be the valuation strategy when they made that statement. But as I said earlier, the valuation strategy is set out on page 47 of the ANAO report, the table. We were not consulted on this valuation strategy. My reading of the ANAO report is that it's this valuation strategy that created an environment in which a valuation of \$29.8 million was concluded.

Senator GALLAGHER: Attempted to be legitimised.

Ms Huxtable: We were not aware of that until the ANAO report was completed.

Senator GALLAGHER: Have you taken that up with Mr Atkinson? It seems a pretty serious concern in terms of the role that the Department of Finance played. When I read this report it said that the valuation strategy was developed in consultation with the Department of Finance. To me, considering that that is the issue that led to the environment where corrupt behaviour could occur, that is a bit of a problem.

Ms Huxtable: I did say to Mr Atkinson that I agreed that we were involved in the acquisition strategy, but I didn't consider that we were involved in the valuation strategy as that's set out in this document.

Senator GALLAGHER: So you have told him that?

Ms Huxtable: I did.

Senator GALLAGHER: When did you tell him that?

Ms Huxtable: On 29 September.

Senator GALLAGHER: You had a meeting about something unrelated. What was his response to that?

Ms Huxtable: What was his reaction?

Senator GALLAGHER: What did he respond?

Ms Huxtable: I don't recall exactly. I didn't take notes of the meeting.

Senator GALLAGHER: Did you ask him to correct?

Ms Huxtable: No.

Senator GALLAGHER: Why not?

Senator Cormann: Let me give you—

Senator GALLAGHER: It was pretty important.

Senator Cormann: Let me give you the advice that was given to me. This was on 21 September, so some time earlier.

Senator GALLAGHER: A week earlier.

Senator Cormann: This was on the day the report was tabled. The advice to me, not only did the Department advise me that they were not consulted on the valuation strategy or implementation; they also said to me that 'this inaccurate characterisation of Finance's role has been raised with Infrastructure, who have modified the equivalent text in their talking points on the audit to remove the references to Finance'.

Senator GALLAGHER: That is a blessing, isn't it? In their talking points.

Senator Cormann: Obviously the other document had already gone.

Senator GALLAGHER: You don't think—

Senator Cormann: The point is, to your question: yes, it was raised with them and yes, they did correct relevant documentation that was correctable at that point.

Senator GALLAGHER: They changed their talking points, but they didn't correct the record. And people didn't think it was serious enough for that, from a reputational point of view? This has the Department of Finance firmly in the gun on agreeing to a valuation strategy that led to a corrupt deal occurring across the administration. I would have thought that would matter to the Department of Finance.

Ms Huxtable: I think there is a difference in interpretation about what a valuation strategy means in that regard.

Senator GALLAGHER: Clearly!

Ms Huxtable: What I said to Mr Atkinson is that if this is the valuation strategy that we are referring to, we were not engaged in that valuation strategy. Infrastructure may have been referring to some broader acquisition approach that included valuation, that a valuation would occur. That's possible. You really need to ask them.

Senator GALLAGHER: I think we will be going back to ask them. But you haven't formally asked them to correct the record. Did you advise the Auditor-General that you thought that was an inaccurate description of your involvement in the central feature of this dodgy deal?

Ms Huxtable: No, but the report had been released. I only saw this when the report was released.

Senator GALLAGHER: I understand that. It is what you do after you read it.

Ms Huxtable: I do think that the Auditor-General is well aware of our role in this, because they prepared the report, which didn't have any findings in respect of Finance.

Senator GALLAGHER: Essentially Finance's position here is that Infrastructure provided misleading information to the audit report.

Ms Huxtable: As I said, it's a matter of interpretation as to what the term 'valuation strategy' is referring to.

Senator GALLAGHER: Do you think it's misleading? Do you think that paragraph is misleading?

Ms Huxtable: When I look at that from my perspective, I was concerned and I raised with Mr Atkinson that it could imply that we had more engagement in this process than we had.

Senator GALLAGHER: To me it looks like you endorsed a valuation strategy that led to a corrupt land deal happening.

Senator Cormann: Let me give you an example. In direct questions that I asked Finance about this, in terms of valuation, I was explicitly advised that the only valuation that they had any visibility of was the valuation at about \$29 million. Finance have not had any visibility of any other valuation. That's a pretty emphatic, black and white, unequivocal piece of—

Senator GALLAGHER: But a valuation is different to a valuation strategy, isn't it?

Senator Cormann: Sure.

Senator GALLAGHER: Which they're saying that you did.

Senator Cormann: Finance's advice to me, explicitly and unequivocally, was that Finance was not consulted on the valuation strategy or implementation.

Senator GALLAGHER: So do you think it's misleading, that comment from Infrastructure? As Minister for Finance, do you think that?

Senator Cormann: The advice that I have from Finance is that that is an inaccurate characterisation of Finance's role, and that it has been raised with Infrastructure. I've accepted that advice from Finance.

Senator GALLAGHER: And that's the end of it?

Senator Cormann: Essentially, now I'm awaiting, as everyone is awaiting, the outcome of the process initiated by Mr Atkinson in Infrastructure and the outcome of the AFP investigation.

Senator GALLAGHER: So you don't think there's any need to formally seek a correction of the record from Infrastructure and to advise the Auditor-General about your role or your department's role?

Senator Cormann: I have put it on the record. I agree—

Senator GALLAGHER: Only because we asked. We wouldn't have known.

Senator Cormann: You have asked me a question, so please let me finish my sentence. That is basic courtesy. I agree with Ms Huxtable. The Auditor-General is very well aware of what Finance's involvement was and what it wasn't. Having gone through this entire process with a fine-tooth comb, the Auditor-General did not make any findings or recommendations directed at Finance. All of the findings and recommendations were directed at Infrastructure, in recognition of the fact that Infrastructure was the decision-maker here and had

responsibility for this process. That, combined with the advice that I subsequently received from Finance, does give me comfort that from the Finance perspective there wasn't, in all the circumstances, any more that we could have done at the time, without the benefit of hindsight.

Senator GALLAGHER: It could be just me here, but I know you value your integrity.

Senator Cormann: Yes, of course.

Senator GALLAGHER: We have the Land Acquisitions Act, which your department administers. We have this dodgy deal, which you have accepted is completely unacceptable—\$30 million spent on land worth \$3 million—and the department responsible for a large part of it puts your department squarely in the mix of the valuation strategy which led to that behaviour being allowed to occur. And they changed their talking points, so it's okay?

Senator Cormann: To be frank, I think that there are bigger issues to be resolved here at the moment. The Auditor-General has identified—

Senator GALLAGHER: Bigger than Finance's reputation in a dodgy deal?

Senator Cormann: I completely reject that assertion. Again, there is no finding directed at Finance in this report. There is no recommendation directed at Finance in this report. There is a process underway now within Infrastructure that is designed to get to the bottom of this. Clearly, an individual or individuals made certain decisions that are now under appropriate and serious scrutiny. I'm not going to pre-empt the outcome of those scrutiny processes, but I will be very interested to find out. I don't know why an individual in Infrastructure decided to make the decisions they did. I don't know what motivated them. Until such time as the proper process has been followed, I don't have all the information, to be honest. I'm looking forward to getting all the information, because what happened here is not satisfactory. The processes, to the extent that they have got to be changed to ensure it doesn't ever happen again—that will happen.

Senator GALLAGHER: If I was minister, I'd be writing a rude letter to somebody to say we were not involved in the evaluation strategy, and that information has been incorrectly provided and published in the audit report. Anyway, that's me.

Senator Cormann: And the relevant people in the department have of course made these representations.

Senator GALLAGHER: In terms of whether files have been created for the Leppington Triangle, or the Western Sydney Airport land, we're having a quick look through the Harradine motion and the files that were provided through that. There are a number of different files that have been created, in 2017 and I think 2018, relating to land, commercial advice and the Western Sydney Airport company. Have you looked through all these files and made clear what Finance's involvement in, and understanding of, this episode was?

Mr Hunt: We have gone through the files that we have on our engagement on the Lands Acquisition Act.

Senator GALLAGHER: On the Lands Acquisition Act. What about the files on briefs, Western Sydney Airport, associated projects and Western Sydney Airport correspondence—have you gone through those?

Ms Huxtable: To be clear: I think you'll find that some of those are picking up the WSA Co government business enterprise work. Would that be right, Andrew?

Mr Jagers: That's correct.

Ms Huxtable: Around that same time, you'll recall, the actual WSA Co was being formed. The minister is a joint shareholder in that regard, so I expect there would be many files on WSA Co, which is not the same issue.

Mr Jagers: It is not the same issue, but we have checked those files as well for anything in relation to this transaction.

Senator GALLAGHER: What time have you looked at—from 2016 to now?

Mr Jagers: In relation to the Western Sydney Airport files, since the creation of that company.

Senator GALLAGHER: Yes, but in preparation for—

Mr Hunt: In the LAA space, we've looked back to 2015, I believe. Can I clarify something. You asked me earlier whether I knew of a specific written file on the Leppington acquisition and I said I didn't know of a specific written file. I've had confirmation from the team that we run a kind of running file on our engagement with land acquisition acts and our engagement would have been included in that. So we didn't have a separate specific file for this process, but it would have been part of our general LAA file.

Senator GALLAGHER: It would have been a subset of a file?

Mr Hunt: That's right, and the team has looked through that in some detail.

Senator GALLAGHER: It doesn't provide any more information than you've provided here today?

Mr Hunt: I've provided the information that I'm aware of from that. And I've taken on notice to get back to you on a couple of details.

Senator GALLAGHER: I'm not sure,—and it could be that I just didn't clock it—but the review of the Lands Acquisition Act completion—

Ms Huxtable: I think Mr Jagers did answer that question. We've received the submissions.

Senator GALLAGHER: I've got the 19 submissions.

Ms Huxtable: We are analysing the submissions. We will seek to finalise the review as soon as possible.

Senator GALLAGHER: But do you have a time frame for finishing it?

Mr Jagers: We're working towards trying to complete it this year—

Ms Huxtable: By the end of the calendar year.

Mr Jagers: We did have to stop the review during COVID because we couldn't complete our public consultation processes. We deferred it for a few months and then we restarted it. We're still looking at the end of the year, but it is likely to push into early next year to finalise it.

Senator GALLAGHER: Presumably, if there are legislative changes that follow from that, it would be late again.

Mr Jagers: That's right. We'd be briefing the minister before that.

Senator GALLAGHER: I think you answered this earlier. The review of the Lands Acquisition Act was commissioned in January, is that right?

Mr Hunt: It was announced on 13 January.

Senator GALLAGHER: That's right. And it wasn't precipitated by the Leppington Triangle?

Ms Huxtable: No.

Senator GALLAGHER: So what led to the review? I think in your media release, Minister, you says it's been 30 years or something.

Ms Huxtable: Yes.

Senator GALLAGHER: But were there other problems that led to you—

Senator Cormann: Compulsory acquisition is not a very popular process. There were clearly issues from time to time in terms of compulsory acquisition. That consistently arose. I felt that it was appropriate to have a proper look to ensure that this process was still fit for purpose 30 years after the last substantive change.

Senator GALLAGHER: But definitely not precipitated by any concerns you had over any land acquisitions specifically?

Senator Cormann: No. It was more because of the view, systemically, that it was appropriate to review this given that for 30 years it hadn't been revisited.

Senator GALLAGHER: Ms Huxtable, do you think you have done everything you should have done as head of Finance to minimise the risks of something like this happening again in this environment with the Lands Acquisition Act as it currently is? What steps do you think—

Ms Huxtable: My reference point is the ANAO and the ANAO report. I've worked with auditors previously. I know how forensic and thorough they are. And I'm sure that, if there were issues that they considered were matters that Finance needed to address, they would have been very forthcoming in that regard. That said, I've seen the report. There is obviously a lot of work that will be going on through the review process in Infrastructure with the AFP investigation, and we will be looking very closely at that to ensure that we do anything we can to improve processes as part of the LAA review; if there is anything we can do to improve guidance or make it more accessible, we will do that. I wouldn't want to leave you with the impression that I'm not interested in what happens from this point, but I am very conscious that the ANAO has looked at it and not drawn recommendations in regard to us. As I said in my response to the ANAO report, we will look at the findings and the recommendations and we will factor those into our future work. Given that the LAA review is not only on foot but well advanced, it's a perfect opportunity to get ahead on what changes could be made there.

Senator Cormann: I'm tabling the briefing I received, with attachments, on 21 September. The only small things that are redacted are the names of junior officers.

Senator GALLAGHER: Thank you. I appreciate that. What about at head of department level, head of agency level? I don't know how it works in the Commonwealth, not being—

Ms Huxtable: Do you mean within Finance or across government?

Senator GALLAGHER: Across government—about you basically saying this should never happen again. Who's taking the lead?

Ms Huxtable: I think all secretaries will be looking very carefully at their processes coming out of this.

Senator GALLAGHER: You'd hope so.

Ms Huxtable: Our role in the LAA legislation, and the PGPA, is definitely relevant. It would be something I would seek to engage with colleagues on. But I expect that the secretary of PM&C would also seek to have some discussion with the secretaries around these issues.

Senator GALLAGHER: Do you think there should be a threshold? Considering that you and the Minister for Finance have responsibilities under the Lands Acquisition Act, do you think that regardless of the method, whether it is compulsorily acquired or by agreement, if it crosses a certain expenditure threshold it should be able to be brought to the attention of relevant ministers?

Ms Huxtable: I think they are some of the issues we would want to look at in terms of the review and also underpin that with the evidence around what those thresholds might be, looking at the whole range of land acquisitions that occur. You've got to walk the line here between having appropriate scrutiny but also enabling processes to proceed. One of the issues the review will be looking at is how these processes can be very drawn out and not a good outcome for either side—either the Commonwealth or the—

Senator GALLAGHER: The compulsorily acquired process?

Ms Huxtable: Yes. The states and territories are doing things a little bit differently. That's one of the reasons why the review is so important—to actually look at what other jurisdictions are doing and how we can improve our processes. We've got the review on foot, so we've got the perfect opportunity to look at all those issues.

Senator AYRES: Can I just clarify one thing. Mr Hunt, you said you would take on notice Senator Gallagher's question going to when the department was advised by the department of infrastructure about that change of approach. Ms Huxtable, I think officers should have been in a position to answer that question today. I think it would help if we were provided an answer later in the day on when that information was provided by the department of infrastructure, how it was conveyed and who conveyed it.

Ms Huxtable: We can take that on notice.

Senator AYRES: Minister, I understand that it is proposed to take it on notice. I would just like a bit more cooperation. Mr Hunt or Mr Jagger should have been in a position to answer that question today. If it can be done, it should be done.

Senator Cormann: I note your views. We will take it on notice and we'll get back to you consistent with the usual rules.

Senator AYRES: I think you could do a little bit better than the usual rules. Quite often, the courtesy is provided to opposition questions when the department is capable of finding that information on the day.

Senator Cormann: We'll see what we can do to be helpful.

Senator AYRES: Give it a red-hot go for us; that'd be good.

Senator Cormann: We'll see what we can do to be helpful.

Senator O'SULLIVAN: Minister, at budget paper 1, statement 9, there is a list of contingent liabilities. One project that is listed as a contingent liability is the Roe 8 and 9 project, which will finish off the Perth freight link. Can you explain to us the importance of this project and why it's listed as a contingent liability?

Senator Cormann: It's an important piece of infrastructure for the Perth metropolitan area. It's an important piece of the Western Australian economic and freight infrastructure. It's also very important in terms of the general amenity and quality of life in the southern suburbs of Perth. Western Australia is a trading state. We've got to get our product to market as efficiently, effectively and safely as possible and at the lowest cost possible. Fremantle port is obviously an exit point for our export products and indeed for the products that we import from overseas. There is a lot of traffic on roads towards Fremantle port that are not fit for purpose. There are too many trucks on roads like Leach Highway and South Street. There's a very longstanding unfinished piece of infrastructure for the metropolitan region of Perth, which is essentially to connect the end of the Roe Highway, which currently finishes at the Kwinana Freeway, all the way through to Fremantle port so that all of the products that come from the Wheatbelt areas through the city towards the port or, indeed, all of the products to and from industrial areas around Perth can get to the port more efficiently, but, more importantly, so that there's better amenity for, of course, residential traffic in those areas. So the Commonwealth is committed to providing \$1.2 billion in funding support for the first state government in Western Australia that is prepared to undertake that very important project, which will improve road safety, lower the cost of transporting goods, improve general amenity and, indeed, improve the speed with which people can get home or to and from various locations around Perth. We've put substantial amounts of money into Metronet. It's good to see that you've made one contribution during your time here, Senator Lines! Anyway, we have, of course, provided substantial funding support to Metronet, as I think is well known. This is a very important part of the freight infrastructure and road infrastructure for Perth. That \$1.2 billion allocation is available as a contingent liability because, at the moment, the state government in Western Australia is not prepared to engage in this work. We had previously reached an agreement with the state government in 2014 or thereabouts to undertake this project, and this is currently on hold until such time as the state government in Western Australia decides to pursue that project.

Senator O'SULLIVAN: That's real money that's available, isn't it? The fact that it's listed in the budget—

Senator Cormann: Well, it's a contingent liability. It becomes a real liability if and when a state government in Western Australia tells us that it is prepared to engage with us to make it happen.

Senator O'SULLIVAN: So, to put it simply, if the state government decided to go with this project, the federal government is prepared to put up the \$1.2 billion to fund it.

Senator Cormann: That's right, yes.

Senator O'SULLIVAN: Thanks, Minister.

Senator GALLAGHER: We've had discussions in this committee over a number of estimates around the role of Finance. Quite often we ask questions that are then referred to

individual departments, but I want to come at it a different way and understand Finance's whole-of-government responsibilities, basically, and its role through the budget process. Does Finance play a role in ensuring that there's the best overall value for money in the spending measures that are outlined in the budget? Do you have a role there to ensure the best overall value for money?

Ms Huxtable: We have an assurance role in the costing process, which Mr Yannopoulos can explain, unless my other officers wish to.

Senator GALLAGHER: Sure. Let's go there. Let's talk about the assurance.

Ms Huxtable: That process is a separate process to the advice that we provide to the finance minister and to ERC in respect of the proposal itself. So it's a threshold issue.

Senator Cormann: If I understand your question rightly, there are two different parts of the payment process, if you like. There is the process that leads to a policy decision by government with fiscal implications, including on the payment side, where Finance works with relevant portfolios in the context of confirming costing and reaching agreed costings in relation to those measures.

Senator GALLAGHER: Yes.

Senator Cormann: Then that goes through the ERC process and informs the deliberative processes of the cabinet.

Senator GALLAGHER: Yes.

Senator Cormann: But then on the other side, in terms of actual payments being made by individual departments and agencies, the accountable officer, the secretary of the relevant department, is responsible. When you talk about value for money, the responsibility in relation to ensuring value for money is devolved, under the governance framework that we operate under, to the relevant accountable officers in those relevant agencies. So if you're wanting to ask about actual expenditure processes, rather than the lead-up, then you have to go to the relevant agency concerned.

Senator GALLAGHER: Can we explore the assurance side in a bit more detail.

Mr Yannopoulos: In the process of agencies working with their portfolios in bringing proposals to government, we seek to agree the cost basis that underpins that proposal. We look at the evidence—for example, tendered outcomes for a project or rates of pay for the APS officers or contractors that might be being brought to bear to implement that policy initiative.

Senator GALLAGHER: So you basically test their work to see whether it stacks up.

Mr Yannopoulos: Exactly, and we then compare it to things that we might have seen in the past. In some cases we negotiate and say, 'We think that could be done for less.' To the essence of your question, we try to improve the cost that will end up being presented for a deliberative decision of government.

Senator GALLAGHER: On its way to ERC for discussion, does it have to get the green light from Finance? To proceed to the next level, does it have to get some sort of 'Yes, it's been through the Finance process, and we agree this is a true and reasonable cost'?

Mr Yannopoulos: There is obviously discretion of the government, particularly for urgent matters, but the normal process is that we would agree costs—and that doesn't mean we

support them, which is the separate issue that the secretary raised—before the ERC would consider the proposal.

Senator GALLAGHER: How often would the normal process occur, notwithstanding the right of the government to do whatever it likes? Would that be 90 per cent, 95 per cent?

Mr Yannopoulos: I'd say it would be higher. In the vast majority of cases we will have agreed costs with the portfolio agency before ERC considers the item.

Senator GALLAGHER: Higher than 95 per cent?

Mr Yannopoulos: I think so.

Senator GALLAGHER: Do you collect that information?

Mr Yannopoulos: No.

Ms Huxtable: I would add to that—and correct me, Matt, if I'm wrong. For all these decisions we're talking about, costs are agreed. That leads into a decision-making process, and a decision is made. That will then appear in a budget update, a budget document, and, prior to that occurring, a final agreement of costs will occur. So even if there's a reason why something is coming forward on an urgent time frame, we would normally do an indicative cost at that point to say, 'These costs are in the order of', but there will be a cost finalisation process prior to the numbers actually going into the budget documents.

Senator GALLAGHER: In your corporate plan you outline three areas of focus for Finance over the next three years, and advising on expenditure is one of them. It says:

Finance's leadership on the Budget process and the Commonwealth's finances enables us to assist the Government shape and deliver its fiscal and policy objectives, while ensuring public expenditure programs are effective, sustainable and deliver the best value to the Australian community.

I take that to mean that you're the agency with the eye for making sure that public expenditure delivers the best value overall to the Australian community, that that's more your job than any other department.

Ms Huxtable: Noting that every entity has responsibilities in that regard—so we are not alone. The other point I would make—we're talking here about the costing process and the budget process—is that there are a range of other things done in Finance across the frameworks that we manage: the PGPA Act; some of the whole-of-government procurement activities and whole-of-government purchasing—so getting better power out of the Commonwealth purchasing dollar; and the work we do on shared services. All these things are around driving greater efficiency in Commonwealth government spending. So, when we talk about those objectives, they are broader than just the budget process.

Senator GALLAGHER: Sure; that's a fair point. In terms of this budget, I notice there is a measure for almost \$30 million to strengthen Finance's capacity to assess the efficiency and quality of government spending. Can you give me a bit more detail on this measure? I'm interested in why it's needed. Is it linked to the increase in spending that's happening—that you've got more money to track and you need to assure yourself it is being spent appropriately? Or is there another gap that you're having to cross, or pressure you're having to meet?

Ms Huxtable: There are a number of elements to that measure—some of which are in Mr Yannopoulos's area, which he can speak to.

Mr Yannopoulos: It's really in two areas; you're right. The first is the scale of expenditure that has been decided upon as a result of the COVID pandemic. The second is to meet what has been an enormous workload throughout this year and to give my group some more capacity, so I can rest people on a more programmed basis.

Senator GALLAGHER: Is that linked to COVID too? There is extra COVID spending, and then there's workforce pressures and fatigue.

Mr Yannopoulos: It is just work—more meetings, more decisions.

Ms Huxtable: Noting that we had the Economic and Fiscal Update in July and the budget in October, and will have the MYEFO in December and the next budget in May, it is a higher cadence of work in the budget area and there are a lot of proposals being considered. So I think that's an element of it. There was also an element enabling us to look in particular at some of those expenditure programs that we talked to you about when we appeared before the COVID committee.

Senator GALLAGHER: Yes; I've got some questions on that.

Ms Huxtable: The other element of that—I don't have the brief with me—is around the commercial analysis function. There is more widespread use of commercial financing and procurement models, to look at engaging more deeply with the private sector around investment opportunities and to support some of the productivity enhancing investments. So there is an element of the measure which is in the commercial area, which is in Mr Jagger's space, and there are elements in Mr Yannopoulos's space.

Senator GALLAGHER: I'm just trying to find it in my measures book. Why doesn't Finance appear in alphabetical order?

Ms Huxtable: It does; it's page 84.

Senator GALLAGHER: Thank you.

Ms Huxtable: Those two things are drawn out there.

Senator GALLAGHER: So how much is going to your area, Mr Yannopoulos?

Mr Yannopoulos: I don't know that we have formally agreed. That's still a decision to come.

Ms Huxtable: He's going to have to battle that one out with me!

Senator GALLAGHER: How much is going to that area?

Ms Huxtable: I haven't decided. I'll see how it goes in the next two days.

Senator GALLAGHER: Have you put a bid in! So it is over four years. I accept it's been an increased time, but you're expecting the need to persist in an ongoing sense?

Mr Yannopoulos: Yes.

Senator GALLAGHER: Or will you just utilise those resources where you need them, basically?

Ms Huxtable: I think that pressure and how we work in the budget context is unlikely to diminish. This group, as the finance minister is aware and as previous finance ministers would be aware, works very hard; they're always on, in a sense. This gives us a little bit of money to put some more resources into looking at how we manage that function in a sustainable way, and looking at managing our workforce a little bit differently.

Senator GALLAGHER: But you can't tell me if it's two-thirds here, one-third there? You haven't made that decision?

Ms Huxtable: I can take that on notice. I'm sure there were some assumptions—

Senator GALLAGHER: Didn't you have to provide that to the ERC?

Ms Huxtable: Yes. I expect the relevant agency advice unit costed that in detail. There is a breakdown; I just don't have that breakdown with me.

Senator GALLAGHER: You know how much you're getting, don't you!

Mr Yannopoulos: Sure, but there's a colleague in the room as well! It's an internal resource allocation decision for the department.

Senator GALLAGHER: But, presumably, that has been ticked off. You can provide us with that. In terms of the commercial financing and procurement models: what is that about? It says 'to secure private sector capital'. What are we looking at there—PPPs? Is it that sort of thing—different kinds of delivery models in use of private money?

Mr Jagers: Yes. We have a Commonwealth investment framework that outlines options for government investment in different types of assets under different kinds of situations. This measure is about providing Finance with additional capacity to roll out that investment framework, to work with a number of other agencies like defence, industry, infrastructure and others.

Senator GALLAGHER: But they would sit in Finance?

Mr Jagers: No; this is for us to work with them on developing strategies and to work with the private sector in a different way—creating forums for greater exchange of information with the investment community and the Department of Finance, and working early on to see what capacity exists within private capital markets to support government objectives as well. So it's about bringing that investment framework together in a practical way, including—

Senator GALLAGHER: So it doesn't happen now? Or is this just enhancing the capabilities?

Mr Jagers: I think this is enhancing that capability. We have, for instance, roundtables and forums. In our procurement space we are looking at how we might do the same kind of thing with the investment community as well, so that we've got greater linkages, greater information and greater access to people in the private sector who might otherwise be involved in future projects involving the government.

Senator GALLAGHER: We might come back to that. That sounds very interesting. Is it bodies or is it money to contract out particular expertise in this area?

Mr Jagers: The resources are yet to be determined within the department. The allocation will be primarily to engage people to work within the agency—to work with our partner agencies and the private sector in a more fulsome way.

Senator GALLAGHER: Okay. I've got lots more questions, but I'll come back after the break.

CHAIR: Senator Patrick, I understand, has questions about procurement, which might technically be under outcome 2.5 but we'll see how we go and see if we have the necessary officials.

Senator PATRICK: Mr Jagers, I wouldn't go anywhere!

Ms Huxtable: He's going to get his large folder.

Senator PATRICK: Fantastic!

Senator GALLAGHER: He comes prepared for you, Senator Patrick.

Senator PATRICK: That's good; I like to see that. Minister, Secretary, in the COVID committee I raised an issue in relation to large infrastructure projects, and you undertook to get some answers and suggested I come back at estimates—so here I am! Just to describe the circumstances: the government has announced in the budget an extra \$10 billion in infrastructure projects; that's on top of the long-running \$100 billion program. In the construction industry there are what are classified as tier 1 and tier 2 construction companies. It appears—and I'm going to try to get to the bottom of why this is the case—that only tier 1s are able to bid for the larger work. The problem I have with that is that none of the tier 1s are Australian owned. In effect, we may have created a situation where we have a policy that discriminates against Australian companies simply because the Australian companies are not large enough to tender for the work. The difficulty is that most of these large multinationals operating as corporations will squeeze the supply chain as much as they can, and they will try to return, by direction from a board somewhere in another country, as much profit to the corporate entity, the corporate headquarters, as possible. I don't think this is in Australia's interest.

During the COVID committee, the department undertook to meet with the Australian owned contractors, and I understand that's occurred, but I'd like to get to the bottom of what the real situation is. What fetters these Australian companies from being able to take on the role as a prime in these major infrastructure programs?

Mr Jagers: There is certainly nothing in the Commonwealth Procurement Rules that discriminates on the basis of tier 1, tier 2, or tier 3 firms bidding for work. You're right in saying that since the COVID hearing in September we did organise to meet with the Australian-owned contractors. We had a couple of conversations and then organised a workshop. That workshop was attended by a number of members of that organisation, their CEO, Mr Georgiou from Georgiou Group, Mr Power from BMD and Mr Edwards from Bielby Holdings. We had a discussion where they were able to talk to us about their concerns in terms of contracting arrangements within Australia and the structure of the industry.

We talked to them and provided a presentation in this workshop about the opportunities that currently exist and the way that the Commonwealth procurements work; that significant funding goes through national partnership agreements to state and territory governments, so we have a responsibility for their procurement; that there are a number of government business enterprises that directly procure; and that there are a range of procurements that happen directly by government. Some of those are building contracts and others that tiers 2 and 3 are particularly interested in. The workshop was a good opportunity to talk about the concerns, what is already happening around Australian industry content and the changes that

were made to the Commonwealth Procurement Rules in terms of the guidance material around the benefits to the Australian economy, which I know you're well aware of.

We also talked about next steps and how we might continue to work with them. In particular, that we would work with the department of infrastructure in relation to a piece of work they're doing around tier 2 and 3 contractors in Australia. We talked about engaging with the department of industry as well. Some of the issues they raised were around structuring within the economy. We thought that we could link them up to conversations that might be of interest to them but also ensure that their concerns were understood. I might check if Mr Danks wants to add anything in terms of the workshop and next steps.

Mr Danks: I think, as Mr Jagers said, the workshop was very productive. The Australian owned constructors flagged that they didn't seem to have too many concerns with the CPRs. They actually applauded the economic benefit guidance that we delivered in August as giving those constructors the ability to put forward their credentials for Australian owned businesses. As Mr Jagers said, we're going to set up some further workshops and discussions with them in the coming weeks and months. We're always keen to talk to industry players and industry organisations to get a better understanding of what the industry is doing, what they're feeling in relation to procurement and how we can help and assist going forward.

Senator PATRICK: Okay. So I'm grateful that you've met. It sounds like you're at least making progress. I accept it is not the CPRs that fetter these companies. But, during your discussions with the Australian owned contractors, did you identify what it is, whether it be a requirement around security or some other requirement, that basically prevents them from—not necessarily tendering, but from being successful in the context of a tender? I understand that it might be state based. You might suggest there is little control. I would say that actually it is taxpayers' money and you can impose conditions on the states to make sure we address some of the reasoning behind that. But what are the reasons that you have discovered as to why these tier 2 companies are effectively barred from tendering for this Australian work?

Mr Jagers: Their view is that the way some tenders and work packages are put together makes it harder for them to compete. They've cited examples of where state or territory governments have packaged, for instance, road projects in a way that tier 2s and 3s are able to be the head contractor. They also cited examples where the packages were too large and the requirements in terms of legal obligations and security requirements were too difficult for a tier 2 or tier 3 firm. That was a good starting point, because they are indicating that there are mechanisms for state and territory governments to engage tier 2s and 3s more meaningfully in those procurements. We said that would be a good discussion for us to have with the department of infrastructure. Whilst not running many of those procurements directly, there is a significant engagement with state and territory governments that do run those procurement processes. So I think that was one of the key things. The other issue is the change in market structure within Australia, in their view, around ownership. That has changed things for them in terms of what they would say is narrowing the competition base and that is something that we thought we would talk to the department of industry about as well and involve them in discussions about.

Senator PATRICK: I raised this with the COVID committee. A lot of these tier 1 companies are Spanish owned. That is not to say anything against the Spanish. There are others: UK, Italy, Ireland, China and so forth. But the Spanish seem to dominate. In a world

of free trade—I won't enter into a contest here in respect of free trade—they are operating presumably under the same rules as us but they have managed to bootstrap their industry to do work in Spain, and then they are also dominating in our market. Have we looked at what the Spanish government has done and the circumstances around those companies, because clearly whatever they are doing is lawful and sits within the boundaries of world trade arrangements. I would like to see that success here. I would like to have the situation reversed, so that Australian companies are bidding for tier 1 work here but also overseas working to get work in other jurisdictions. Are we looking at how these other countries are encouraging and supporting their industry, and saying, 'How do we reverse the current situation here?' We have highly capable people and highly capable companies.

Mr Jagers: This is an issue that Mr Georgiou raised with us in the workshop as well. He asked us about the amount of research that the Australian government might be doing on industry structuring and what it would take to make a change to the amount of work that is going to tier 2s and 3s. We haven't done any of that work ourselves but we did commit that we would look into that and work with our partner agencies on that issue. They may actually already have research that we're not aware of that could be pertinent to future directions.

Senator PATRICK: It's good that you've clearly taken on board a bunch of things that they've said. In terms of moving forward, my concern is that with some of these projects the government has indicated 'use it or lose it', so there is a real drive to get some of these projects up and running quickly. I worry that, in terms of trying to remedy this to make it fairer for Australian companies, we may end up taking a bit too long and they miss out on the current opportunities on foot to participate in infrastructure programs, particularly as a prime. Is there a time frame or mud map that you've got in place? I'm not going to hold you necessarily to time frames but I'd at least like to be assured that you walked away and went, 'Okay, let's have a rough think about how we need to move forward and a rough plan.' Have you got one of those in place?

Mr Jagers: We don't have a mud map as such in place, but we do acknowledge that we need to work with our partner agencies, particularly the department of infrastructure and the industry department, in terms of working through that. No, we're not that advanced, I'm sorry, in terms of a mud map of where we might get to, but we are starting the engagement. We have heard directly from industry on it and we are thinking about what we need to do with those partner agencies to make a difference in this space. It is probably early days since that workshop, and we're planning out those next steps.

Senator PATRICK: I'm not criticising. I really do appreciate the fact you've reached out and communicated with these guys. I'm just worried about the time frame. What about not just with the department of infrastructure, because a lot of this funding flows through grants to the states? What are you doing in that space to be able to go to the New South Wales government or the Queensland government and say, 'Look, we've got to make sure that we give Australian companies a fair go here?'

Mr Danks: I think our main link in with the states and territories is through the department of infrastructure and the Infrastructure Investment Program. All the money that was committed in budget flows through those national partnership agreements, which Infrastructure manages and administers on behalf of the Commonwealth. We think

Infrastructure is the agency to go to in the first instance to have those reach-outs into state and territory governments.

Senator PATRICK: What about changes to the grant guidelines? Is that a possibility, to perhaps be a bit more coercive in trying to affect some change, if you get to some point of agreeing that at least some things need to be changed? Things like 'what drives the financial security requirement?' It has been put to me that sometimes these financial securities are somewhat obscure in the way in which they're arranged—whether or not the Commonwealth could eventually get their hands on the securities. That may not be the case, but where there might be remedies to address those legal and security requirements, even if that involves some form of government assistance to remedy those sorts of issues where we've found ourselves in a position [inaudible] Australian companies to compete.

Mr Jagers: Certainly we're not at the point of having device solutions at this point. We're still working through the issues. We're either in the process of or have reached out to those partner agencies to set up the next set of discussions. We haven't really got to the point of thinking about what changes might need to be effected. We are also conscious that we haven't yet engaged with ministers on these issues. We're at the start of the process. What those right solutions look like needs to take into account a range of things, from our free trade obligations to our partnership agreements with states and territories. There's a bit of a complex process we need to work through, but we're willing to do that. Then we might be able to talk to you a bit more next time about where we've got to in that space.

Senator PATRICK: Okay. Can I just, perhaps as a question or notice, ask you to help me prepare for my next estimates by indicating what you think is a reasonable expectation for you to have at least advanced by next estimates? I might find ways to ask further questions in between, but, just in reverse, can you help me prepare for my next estimates by laying out what your objectives are between now and then so I can then tick off and see whether you achieve them?

Mr Jagers: Thanks, Senator. We're happy to write the questions for you as well!

Senator PATRICK: I don't think you're allowed to write the questions. There was an Ombudsman who got in trouble for that.

Ms Huxtable: We could do that more broadly!

Mr Jagers: True. I retract that.

Senator PATRICK: I was trying to be subtle! Thank you.

CHAIR: There are a couple of quick follow-up questions from Senator Scarr.

Senator SCARR: I might actually assist Senator Patrick in the course of this matter in the future, because it's something I'm concerned about as well. We've identified that this country needs to have a sovereign manufacturing capacity, and the government has obviously announced a range of initiatives in that regard. To what extent, Mr Jagers, did your workshop also go into the area of Australia maintaining a sovereign construction capacity so that within this country we have the capacity, the ability and the technical expertise to take on these large projects and we're not dependent upon external wholly foreign owned or majority foreign owned contractors?

Mr Jagers: We did hear presentations about those issues as well, and we also, in response, talked about some of the changes that we've made to the Commonwealth Procurement Rules. I might see if Mr Danks can talk to that. When I say 'changes to the rules', I mean changes to the guidance material in relation to the rules, particularly in relation to Australian economic benefits from procurements. I might ask Mr Danks to touch on that.

Mr Danks: Thank you. A couple of years ago, the Commonwealth Procurement Rules were updated to include a requirement to consider the economic benefit flowing to the Australian community as a result of procurements above \$4 million, or \$7½ million for construction services. We can't preference Australian goods over international goods because of our free trade obligations, but that doesn't mean that the benefits to the Australian economy can't be taken into account in those tender evaluation processes. Examples could include providing skills and training that benefit Australian communities; employing workers and paying taxes in Australia; using small to medium enterprise in delivering goods and services as either a subcontractor or a direct supplier; and developing Australian industry capabilities and industrial capacity. That last part is something that we've worked on with the Department of Defence and the Department of Foreign Affairs and Trade this year to try to strengthen guidance about how agencies can take into account Australian industry development and Australian industry capabilities.

Senator SCARR: In relation to that last criterion, that would encompass Australian national capacity with respect to construction services, project management and undertaking mega infrastructure projects, would it not?

Mr Danks: It would, but there'd be no obligation for an Australian owned company to do that. An international firm could be employing Australians who had developed that capacity and capability in Australia.

Senator SCARR: As I understand it, one of the issues raised by some of the stakeholders that Senator Patrick's referring to is that a tier 1 company bid will bid for a major construction project—and I acknowledge that most of these are actually run by the states rather than the Commonwealth—and they won't involve Australian owned tier 2 or tier 3 construction companies to the extent they reasonably should, because they want to protect their patch. They don't want to give assistance to their competitors, from their perspective. So how do you address that sort of dynamic in a situation where, as we sit here today, unfortunately, there are no Australian owned tier 1 construction companies at the moment? How do you address that dynamic where there are these tier 1s in a dominant market position who may—and this is the concern that a lot of the tier 2 and 3 companies have—take positive steps to try not to include the tier 2s and tier 3s because they don't want to assist them to build up their expertise or experience to be in a position where they can compete with the tier 1s? How do you address that dynamic?

Mr Danks: I think it's in that last dot point I went through—the developing Australian industrial capabilities. It's a mandatory requirement that those tenders over \$7½ million for construction services consider that as an evaluation criteria. If, in a hypothetical example, a tier 1 provider wasn't providing that support to the Australian economy through using Australian employees or developing industry capacity capabilities, an evaluation panel can take that into account and consider whether another firm has a more appropriate consideration for the Australian Industry Capability development.

Mr Jagers: I might add, there's also a requirement under the government's Australian Industry Participation National Framework for projects, procurements and grants over certain thresholds and for major public and private projects for Australian industry participation plans to be developed to detail how Australian businesses can compete for work under those major procurements. So that's a—

Senator SCARR: But do you recognise there is a legitimate concern here from tier 2 and tier 3 companies that are majority Australian owned and that are competing for work in this space? There is a legitimate concern about what's happening practically, and is that something that you're seeking to come up with strategies, perhaps, to address?

Mr Jagers: Yes.

Senator PATRICK: I was going to say, 4.7 of the Procurement Rules and, indeed, the Australian participation plans, are already in place. That's the environment that exists in which the very problem Senator Scarr is talking about is manifesting itself. So they are not necessarily things that would give me comfort, because they've been in place and are longstanding, and we are still in a situation where Australian companies can't tender for that large work.

Mr Jagers: I appreciate the point. I think we're explaining the current framework but also indicating that it is an issue we're going to take forward with partner agencies as well.

CHAIR: A clarifying question, Senator O'Sullivan?

Senator O'SULLIVAN: Are you saying that it would require a partnership agreement with the state, or can it be done with each packet of funding that's provided where you put upon the states the requirement to work with tier 2s or build capability?

Mr Jagers: I think that's for us to work through with the department of infrastructure and also state and territory governments. Some of the examples that the AOC provided to us about procurements that state and territory governments have done that have encouraged tier 2s and 3s and made it more viable for tier 2s and 3s to comply are really about the way that the procurement was conducted. That may not be about rules; it may be just about the approach and the mechanisms that are in place within a state and territory around procurements. So I think what we want to do is have those discussions and work through what the right solutions might be. It may not need a prescriptive response. It may be more about the way the procurements are actually conducted and a bit of an understanding about how to develop Australian industry through these procurement processes.

Senator O'SULLIVAN: In Western Australia, the federal government has become a bit of a victim of its own success here in that we, for example, provided such a large sum of money to support the Metronet project, which has meant that the state government have then gone and bundled it all together as one big body of work. It's meant that the tier 2s are not capable of delivering on that. Is there a way to put a requirement onto the state governments?

Mr Jagers: That could be a solution, but it is not one we've explored yet with Infrastructure.

Senator O'SULLIVAN: It's not as simple as that, yes.

Mr Jagers: I'm sure there are issues we would need to work through. State and territory governments that also contribute to these projects and have their own frameworks operate

under those frameworks, so it's not as simple as us imposing a different way of working. We certainly want to have that conversation with the industry but also with our partner agencies.

Senator SCARR: Following up on Senator O'Sullivan's point, I guess you're picking up the interest of committee members on this subject. On the Australian Owned Contractors website, they give an example of a project which, from their perspective, is successful in trying to meet their concern. It's the Gateway WA project, which had a value of \$1 billion. The agency was the main roads department in Western Australia. I wish my home state of Queensland did more projects, but that's another subject. The project was a major road highway upgrade to improve access to Perth Airport and Kewdale industrial precinct. Procurement included industry capability criteria, during the EOI process, asking respondents to outline how mid-tier contractors would be included in the delivery of the project. The criteria had an evaluation weighting of five per cent. Every respondent had a mid-tier contractor in their delivery consortium. Successful alliances included Leighton Contractors and Georgiou Group—and I think Senator Patrick referred to that company—a mid-tier contractor. Eighteen per cent of the project was delivered by an Australian mid-tier contractor. Georgiou was able to build its capability and grow due to its participation in the project. Is that perhaps an example of a best practice project which you might consider as part of your deliberations?

Mr Jagers: Yes. That's one of the examples that the organisation talked to us about as well. It's one of those examples we might talk to our partner agencies about. We are looking to progress those discussions with them and also involve AOC and other industry groups in those conversations.

Senator SCARR: Thank you.

Senator AYRES: I just want to clarify something from that discussion. Firstly, Mr Danks, the way you described our free trade obligations and their impact on local procurement policies is shorthand, isn't it? It's actually a little bit more complicated than that. There is almost total freedom for state and Commonwealth governments to preference local firms, if they're small to medium enterprises. There are specific exemptions, for the most part, for those sorts of arrangements. That's right, isn't it?

Mr Danks: There are exemptions in the Commonwealth Procurement Rules.

Senator AYRES: I understand them. I'm not talking about the rules. I'm talking about the obligations. The obligations are often described in a shorthand way, which would make it appear that there is not capacity for local procurement rules when, in fact, there is quite some flexibility and room to do that, isn't there?

Mr Jagers: We've worked with DFAT in the development of the Commonwealth Procurement Rules that ensure we pick up the obligations we have under the free trade agreements. We operationalise those, in a sense, through the Commonwealth Procurement Rules and update those. Those Commonwealth Procurement Rules, as Mr Danks is indicating, have a number of exceptions within them.

Senator AYRES: I don't want to upset the minister, but it was a feature of the Abbott period that we unilaterally took a position to overstate the free trade obligations in a way that disadvantages local firms.

Senator Cormann: That's not—

Senator AYRES: See, I knew it would upset you.

Senator Cormann: That is just a completely false assertion. Australia is a trading nation. We would be much poorer if we weren't an open market economy focused on the opportunity to sell as many products and services into markets around the world. The Australian domestic market is minuscule compared to the opportunities of the global market. If we were to make decisions in Australia that cut us off from selling products and services into the global market, we would be making decisions to weaken our economy, make Australians poorer and reduce the opportunity for Australians today and in the future to have the best possible jobs and the best possible careers.

To give credit where credit is due, in an Australian economic historical context the person who initially drove that opening up of our economy to the world was Paul Keating. It is one of his great and lasting contributions to the Australian economic opportunity over a long period and into the future. There is a temptation now to suggest that we should somehow lock ourselves up again behind protective walls. If we were to do this, it would make us weaker and it would make Australians poorer into the future, because there is always going to be less opportunity to do business with ourselves than there is to do business with the rest of the world.

Senator PATRICK: But, Minister, that assumes that there is a fair playing field everywhere.

Senator AYRES: Sorry, I'm really not looking for an engagement about the future of our trading relationships and the architecture and—

Senator Cormann: Well the assertion that Abbott overstated the benefits of free trade is false.

Senator AYRES: And that's not what I said. What I said was that there has been a traditional unilateralism recently. There is quite some flexibility under our current obligations to provide preference for local firms within contracting arrangements. That's right, isn't it?

Senator Cormann: There is no such thing. The way you characterise this is not accurate. We always seek to ensure that we get the balance right. We always seek to ensure that there is appropriate opportunity for local businesses to participate.

Senator AYRES: Yes, and our trading obligations don't prohibit us from doing that.

Senator Cormann: We have always been focused on that. But we've got to be consistent with our trade obligations.

Senator AYRES: Sure, but the assertion that our WTO obligations prevent us from doing that is not right.

Senator Cormann: I think that is a bit of a broad, sweeping statement that is also not right.

CHAIR: This has been an interesting conversation that I've been happy to facilitate, but it is not strictly in line with the program that we've set out for ourselves. In any case, we're actually late for our scheduled break. Senator Patrick, thank you for diverting the committee for half an hour, as you've just done. We will take our break and continue with outcome 1.

Proceedings suspended from 15:50 to 16:06

CHAIR: The committee will now resume its examination of Outcome 1 of the Department of Finance.

Senator GALLAGHER: Minister, are you aware of the number of items in the budget that create new grants, programs or funds or provide more funding to existing grants, programs and funds?

Senator Cormann: I can't give you a number off the top of my head. Any such decision is obviously published in Budget Paper No. 2. I haven't counted them all up.

Senator GALLAGHER: It seems to me there are a lot of them. Is this a feature of the government: you're going to establish funds where, basically, it's open for ministers to dole money out wherever they want to put it?

Senator Cormann: I don't agree with that characterisation. Clearly, we are working to implement our plan to get Australia out of the COVID recession. As part of that plan, a whole series of initiatives, measures and decisions have been taken. That includes, whether it is appropriate, the introduction of relevant grants and programs to support relevant parts of the economy, the community—you name it. If you've got specific questions in relation to specific items—

Senator GALLAGHER: I do.

Senator Cormann: I'm happy to explore those with you.

Senator GALLAGHER: I'm just wondering whether, as Minister for Finance, it's your responsibility to make sure every dollar's spent, particularly when we've got a trillion dollars of debt and we're borrowing for pretty much all of the new measures; and whether you were alarmed at the number of measures which add billions of dollars into funds which have a pretty chequered history in terms of how they are delivered.

Senator Cormann: Again, that's political commentary. We are the elected government of Australia and have a responsibility to make judgements on putting Australia on the strongest possible foundation trajectory for the future in the wake of a one-in-100-year global pandemic with very severe consequences for our economy, business, jobs and people's livelihoods. In that context, a whole series of decisions have been made and are all reflected in the budget paper. I'm happy to answer any questions about any specific measures—as I know all of my colleagues in other portfolios with relevant programs are happy to do—and to discuss the reasons why we have felt it necessary to do what we're proposing to do.

Let me also make this point: compared to what was previously done, on the payment side of the budget, we have made decisions, yes, to boost the level of fiscal support in the short term but that is very much on a temporary time-limited basis. I would like to take you to page 3-30 of Budget Paper No. 1 and you will be able to see what I'm talking about. And this is different to, I guess, what happened in the wake of the fiscal response to the global financial crisis. You see that over the years—2019-20 and 2020-21 to roughly around 2022-23, towards the end of the forward estimates—there is a spike in payments and then it goes down.

Senator GALLAGHER: Yes, I understand your fiscal strategy. I've read it.

Senator Cormann: Then it essentially goes back to the payment trajectory over the medium term that was in place before the crisis hit. What that really tells you is that we haven't imposed structural burdens on the payments side of the budget or onto the budget

bottom line in the context of our crisis response. The reason we have an ongoing underlying cash-balance deficit and the reason we have an issue and a challenge with our government net debt and gross debt trajectory over the medium term is because of what's happening on the revenue side of the budget. Because we're in the COVID recession the economy has shrunk and, even though it's forecast and projected to start growing again, it will be growing on a lower trajectory all the way through, which means that revenue will be lower all the way through. On the forward estimates, that's a loss in revenue of about \$227 billion. That's without having made any decisions; that is \$227 billion worth of loss in revenue just because of parameter variations in the economy.

The final point, on the payment side—

Senator GALLAGHER: I haven't asked you a question about this.

Senator Cormann: You have.

Senator GALLAGHER: You're answering a question you haven't been asked. Come on, Chair!

Senator Cormann: You asked me whether I'm concerned about all these programs of increased payments. But average annual real growth in payments over the forward estimates—

Senator GALLAGHER: You missed the point. I feel like we're going to get—

Senator Cormann: is at 1.7 per cent, which is very low based on global standards. Yes, it's a 22.6 per cent growth this financial year, followed by 17.5 per cent reduction the following year, but average over the forward estimates it's 1.7 per cent. So you asked me whether I'm concerned about what's happening on the payments side, as the finance minister.

Senator GALLAGHER: No, I didn't ask that.

Senator Cormann: In the context of the pandemic that we're dealing with, it was important for government to step up and it was important for us to provide the appropriate levels of fiscal support, but it was very important to me, as finance minister, that we didn't impose structural burdens on the budget, that any expenditure was high quality and that the expenditure boost was temporary, well targeted and proportional.

Senator GALLAGHER: It wasn't the question I asked, but you've got it on the record, so can we take that as given that that is your presentation on that.

Senator Cormann: Well, that's how I understood your question.

Senator GALLAGHER: My question actually goes to the quality of the spend. I don't think anyone is disputing the fact that the budget needed to be used to support the economy, but my question goes to the amount of funds and grants programs that have been used to funnel money through to deliver political outcomes as opposed to countrywide support. That is my issue.

Senator Cormann: When you use language like that, that is political language. I completely disagree with your assertion.

CHAIR: Minister, please allow Senator Gallagher to ask her question.

Senator Cormann: The question was asked, and I've answered it.

CHAIR: I think Senator Gallagher was still going with her question.

Senator GALLAGHER: It's alright. We've got a long time.

Senator Cormann: No, no. She had finished the question, and then she wanted to provide some more commentary. The truth is that we are the elected government of Australia.

Senator AYRES: He hasn't even touched the ball—

Senator GALLAGHER: I understand that.

Senator Cormann: We are accountable at the next election for how we've performed, and indeed people will form a judgement on how we've performed—

Senator GALLAGHER: And you've set up a series of roting funds where you can pork-barrel your way up to the election. That's my argument.

CHAIR: Order!

Senator Cormann: Our plans are for the future, and that is how people will assess them. We stand by the decision that we've made in this budget. We commend the budget to you—

Senator GALLAGHER: Yes, and I have some questions about it, if that's okay.

Senator Cormann: and we are confident and comfortable with being responsible and accountable for the measures in this budget. So if you want to ask me questions about specific measures, rather than making broad, sweeping, politically motivated allegations, I'm happy to answer them.

Senator GALLAGHER: If I could get to it, I would. I've got a series I would like to go through.

Senator Cormann: So far all I've had is broad, sweeping political allegations.

Senator GALLAGHER: I'm happy to respond in a general sense to your general accusations.

CHAIR: Minister and Senator Gallagher, let's have a cleaner demarcation between questions and answers so that we each have an opportunity to put what we want on the record. I think that will make it much smoother for everyone.

Senator GALLAGHER: Okay. I'll start with the Community Development Grants Program. It started as an election promise and was then included in the 2013-14 MYEFO, where it grew from \$342 million to \$3 billion. Only projects identified by the government are eligible for funding—and these have principally been federal election commitments—and coalition seats have been awarded 75.5 per cent of last year's funding. Labor seats managed to get just 19.9 per cent. My question to you is: do you think it's a fair process to funnel \$3 billion worth of taxpayers' money through and then have it deliver such seemingly biased outcomes towards coalition seats?

Senator Cormann: Again, I don't agree with your characterisation of what you've just put to me. I've been involved in every election campaign in the period leading up to our first term of government and, of course, since then, and I'm very well aware of what happened with both Labor—now the opposition—and subsequently the government. In the lead-up to every election—in 2013, 2016 and 2019—both major parties went to the election with a series of community development project type election commitments. We went with ours; you went with yours. Of course, we were elected, so we're implementing the election commitments that we took to the election. That is what the Australian people would expect us to do, and that is,

of course, what we're doing. The implementation of those election commitments is reflected appropriately in relevant decisions by government.

Senator GALLAGHER: Well, the thing is that they're not just election commitments. It's the way it's been used. If you track the funds carefully—and it is quite hard to track them—through MYEFO to budget to MYEFO during the term of your government, that's when the seriously big dollars get put in. In the 2019-20 budget, delivered just before the election, almost half a billion dollars was put into that fund.

Senator Cormann: You've obviously forgotten all of the allocations and promises that you took to previous elections, which you would have implemented if you had been elected, through the same program or a similar one.

Senator GALLAGHER: I don't think we were setting up funds to pork-barrel across the country.

Senator Cormann: Yes, you were.

Senator GALLAGHER: No.

Senator Cormann: You were absolutely going around Australia making promises about—

Senator GALLAGHER: No.

Senator Cormann: That is just arguing that black is white and white is black. I'm happy to send you by correspondence the election commitments you took to the last election promising grants funding and support for various small community infrastructure projects all around Australia. But we won the election, so we're implementing our election commitments.

Senator GALLAGHER: It's not just about election commitments.

Senator Cormann: If you had won, you would have implemented your election commitments.

Senator GALLAGHER: You're using a standard budgeting process where you are now putting hundreds of millions of dollars into these funds, which are administered by ministers with ministerial advisory committees approving them, at a time when we are borrowing every cent of this, and it's clearly favouring government seats—whether they be marginal or targeted seats. I can go through each fund one by one and show where there is clear evidence that the government is closely allocating these borrowed moneys for a political outcome.

Senator Cormann: Well, I just don't agree with you. We are the elected government of Australia. We make policy decisions about the allocation of public resources. We are accountable to the Australian people at an election in relation to those decisions, and, for as long as the Australian people express their confidence in our government, in our program and in our election commitments, we will do everything we can to keep faith with the Australian people and to deliver on the commitments that we have made and that we will make and are continuing to make.

Senator GALLAGHER: Okay. The Building Better Regions Fund is a fund that you're now putting money into as part of the COVID response. I think it receives another \$200 million through this budget. That's a fund that's chaired by the Deputy Prime Minister.

Senator Cormann: It's a fund that is in the Deputy Prime Minister's portfolio. It is providing very important support to regional Australia.

Senator GALLAGHER: But he's the decision-maker. He decided in the lead-up to the 2019 election that 94 per cent of grants issued—that is, in round 4, not election commitments but money to be delivered before the election—went to coalition-held seats or electorates the coalition was targeting. Now you're putting another \$200 million into this. What trust should the Australian public have that the money that's being borrowed for the pandemic recovery won't be used in the same way, with 94 per cent of \$200 million going to seats that you want to either hold or win at the next election?

Senator Cormann: The issue with regional seats—if I just look at my home state of Western Australia, for example—

Senator GALLAGHER: Ah, the old, 'We hold more and that's why we get it all'!

Senator Cormann: the Labor Party holds zero per cent of regional seats. Are you saying that because the Labor Party holds zero per cent of regional seats in Western Australia we should ignore regional Western Australia?

Senator GALLAGHER: Are you saying that we have six per cent of regional seats?

Senator Cormann: When I last looked, across the whole of Queensland, the Labor Party holds 23 per cent of seats.

Senator GALLAGHER: Well, we didn't get anywhere near 23 per cent of the funding.

Senator Cormann: It's actually less, because the LNP holds 77 per cent of the seats—that is, of course, Mr Katter. So the Labor Party in Queensland holds fewer than 20 seats. So you're saying we should ignore regional Queensland just because the Labor Party doesn't have a higher proportion of seats?

Senator GALLAGHER: That's not what I'm saying; I'm saying—

CHAIR: Order! No interjections.

Senator Cormann: That is the implication of what you're saying. Quite frankly, from where I sit, it makes absolutely no difference who holds the seat. What matters is that we need to provide important support to—

Senator Gallagher interjecting—

Senator Cormann: You can laugh. We've got to provide important support to regional communities across Australia. I can't help it that 100 per cent of regional seats in Western Australia are held by the Liberal Party. I can't help it that just about every seat in regional Queensland is held by the LNP. I can't help that; I'm sorry. That is the way the Australian people in those states and jurisdictions have voted. That is the reality of it.

Senator GALLAGHER: Seriously? Come on! Minister, I think I know you reasonably well and I can't believe that you are sitting there defending that type of skewed allocation on the basis of—you do not hold 94 per cent of regional seats—

Senator Cormann: I sought to objectively explain that to you.

Senator GALLAGHER: **You do not.** That's how much the coalition seats got, or coalition seats that you were targeting.

Senator Cormann: If you've got specific questions about specific grant allocations, bearing in mind that this is obviously a program in the infrastructure portfolio, which is where these questions are appropriately directed—

Senator GALLAGHER: I have.

Senator Cormann: then the best portfolio to ask these questions of is the infrastructure portfolio.

Senator GALLAGHER: I'm asking you, as the Minister for Finance in charge of the expenditure side of the budget, about whether you're comfortable with allocating more than \$5 billion in this budget to various grants programs, many of them allocated at the whim of a minister, at a time when we are borrowing money. How can you guarantee to Australia that this is the best use of that money? What guarantee do you give them that it's not pork-barrelling?

Senator Cormann: I completely reject that proposition.

Senator GALLAGHER: The outcomes tell a different story.

Senator Cormann: That is your politically motivated partisan allegation.

Senator GALLAGHER: It's not politically—

Senator Cormann: It's your politically motivated partisan allegation. The decisions we are making in this budget, as we do in every budget, are to ensure that Australia is on the strongest possible economic foundation and trajectory for the future. We are dealing with a particular challenge at the moment, given that we are responding to the economic impact of the COVID pandemic—a one-in-100-years event. And supporting regional communities through a program like the Better Regions program is an important part of our overall plan. As long as the Australian people support our approach to these sorts of initiatives we will continue to support regional communities through a program like this.

Senator GALLAGHER: Again, I have no problem with supporting regional communities. My issue is about the quality of the spend, how it's been managed, whether it's been managed fairly and whether it delivers good value for money for the Australian public, who are accruing this debt that will need to be repaid over time.

Senator Cormann: Well, it is delivering good value for money.

Senator GALLAGHER: Having these funds—and I can go through them: I counted over 30 different funds—

Senator Cormann: The community development grants for starters—

Senator GALLAGHER: being established at a cost of \$5.73 billion in this budget alone. Can you guarantee that those funds will be used appropriately and not skewed towards coalition seats either held or targeted?

Senator Cormann: Quite frankly, who holds seats is irrelevant.

Senator GALLAGHER: It's not irrelevant.

Senator Cormann: It is completely irrelevant.

Senator GALLAGHER: The record shows—

Senator Cormann: Well, that is your false allegation, and I reject that.

Senator GALLAGHER: Sports rorts? Urban Congestion Fund? Community Development Grants?

Senator Cormann: The sports grants program—

Senator GALLAGHER: The Building Better Regions Fund?

Senator Cormann: Repeating the same false allegation doesn't make it come true.

Senator GALLAGHER: It's not false.

Senator Cormann: May I finish, Chair?

CHAIR: Yes.

Senator Cormann: The exercise of ministerial discretion in the sports grants program lifted the proportion of funding that went into Labor seats. So, if your complaint is about not enough funding going into Labor seats, Senator McKenzie's decisions, exercising her discretion, ensured a larger proportion of funding went into Labor held seats compared to the recommendations that were made by Sport Australia. That is an inconvenient truth—

Senator GALLAGHER: There were much bigger problems with sports grants. You know that.

Senator Cormann: which you're not interested in, clearly. And you're now talking over me again.

CHAIR: Order! Senator Gallagher—

Senator GALLAGHER: He's inciting me!

Senator Cormann: In relation to the Community Development Grants Program—or in relation to any of the other programs, for that matter—of course there are value for money assessment requirements. Like you do, we went to the last election and previous elections making election commitments, as you do. Even though they're election commitments, the process that is then managed in terms of putting relevant grants agreements in place and the like—of course they still involve appropriate value for money assessment before these sorts of grants agreements are finalised. There are appropriate checks and balances in place, and just because you make a politically motivated assertion, that doesn't make it true. In the end, the arbiter of who is right and who is wrong here is the Australian people.

Senator GALLAGHER: So you don't think there are any issues at all with the funds, as they've been delivering outcomes? You think it's completely fair?

Senator Cormann: I stand behind the plan to get Australia out of the recession, out of this COVID recession, as presented in the budget papers. We have, to the best of our ability, absolutely focused on doing the best we can for Australia and made decisions to put Australia on the strongest possible economic and fiscal foundation trajectory for the future. That plan is represented in those budget papers. Where appropriate, that includes the use of appropriately targeted, effective and proportionate grants programs.

Senator GALLAGHER: So the Urban Congestion Fund, for, I think, \$3 billion—I think you may have increased it again. Eighty-three per cent of the \$3 billion allocated from the Urban Congestion Fund went into Liberal seats and seats targeted by the Liberal parties. That's \$2.49 billion. Are you suggesting that there aren't people in urban areas, who don't vote Liberal, who might benefit from a similar allocation or a fairer share of that?

Senator Cormann: You're just making blanket assertions—

Senator GALLAGHER: No, this is on the outcomes that have been approved, from the funds. You haven't seen any concerns raised about these funds?

Senator Cormann: No.

Senator GALLAGHER: Seriously?

CHAIR: Order! As chair, I'll provide protection to both witnesses and senators to ask their questions uninterrupted and to answer questions uninterrupted. I'd be very grateful if you assist me in that process, otherwise I'll just have to keep calling order and it'll be very disruptive.

Senator Cormann: If you've got concerns about any specific grant, ask the question of the relevant—

Senator GALLAGHER: Pretty much all of them.

Senator Cormann: So you're concerned about all of the grants under the Urban Congestion Fund?

Senator GALLAGHER: I'm concerned about how they're being administered.

Senator Cormann: So you think we should scrap all of the Urban Congestion Fund?

Senator GALLAGHER: No. That's not what I'm saying. Don't verbal me. I don't verbal you; don't verbal me.

Senator Cormann: I'm just asking you the question.

Senator GALLAGHER: No, I don't have a problem. I have a problem with how they're being administered. That is my problem—probity and honesty.

Senator Cormann: The Urban Congestion Fund is a very important fund. If you've got an issue about the administration of the Urban Congestion Fund, you should ask that question in the infrastructure portfolio.

Senator GALLAGHER: I'm asking you, as Minister for Finance.

Senator Cormann: I don't administer the Urban Congestion Fund.

Senator GALLAGHER: Again, I'm trying to bring it back to your role. There's \$5.7 billion of funding, in this budget alone, to go into a various number of grants programs and funds, and I would like you to assure me that you are confident that that money presents value for money and will be distributed fairly across the country.

Senator Cormann: Yes I am, and, if you've got specific questions about specific programs, I would invite you to ask the question in the relevant portfolio.

Senator GALLAGHER: Yes, I will, but I am asking you, and you have said you are. And you can provide that—noting you're in the departure lounge, which gives you—

Senator Cormann: That is also a gratuitous question.

Senator GALLAGHER: I don't think it's gratuitous. You are; you've flagged that you're going. But you are assuring the Senate that this money will be used appropriately, will not be rorted and will not be provided disproportionately, on a political basis, across the country.

Senator Cormann: I think that that is language that is completely unbecoming of you. It is politically charged, partisan language. You've got no basis and no foundation to make that sort of assertion—a partisan politically based assertion—based on the documents that are in front of you in this budget.

Senator GALLAGHER: I do have a basis for it and I've been going through them. I'm happy to go through them one by one. Do you want to go to the Female Facilities and Water Safety Stream Program?

Senator Cormann: It's not a program that I administer.

Senator GALLAGHER: No, but I am asking you as the Minister for Finance about your guarantee that this money will be spent appropriately.

Senator Cormann: The money is being spent appropriately. Unless you've got any evidence otherwise, which you're not presenting—

Senator GALLAGHER: I have given you examples where funds have been distributed and skewed towards certain electorates. There's no doubt about it.

Senator Cormann: You're suggesting that it should be skewed. You're suggesting that—

Senator GALLAGHER: No, I'm saying they should be applied fairly.

CHAIR: Order!

Senator Cormann: You're suggesting that political consideration should be a consideration.

Senator GALLAGHER: No, I'm not.

Senator Cormann: That's precisely what you're saying.

Senator GALLAGHER: No, I'm saying they are already.

Senator Cormann: I disagree.

Senator GALLAGHER: The Urban Congestion Fund, the female facilities, the sports rorts, the Building Better Regions Fund—

Senator Cormann: Just using offensive language doesn't make it true. The sports grants program is a very successful, very popular program providing significant support around—

Senator AYRES: Why did the minister resign, then?

Senator Cormann: It was nothing to do with the distribution of funding around Australia.

Senator GALLAGHER: Come on!

Senator Cormann: I'll say it again—inconvenient truth. The proportion of funding going into Labor held electorates—you think that that is the important consideration.

Senator GALLAGHER: I don't.

Senator Cormann: Increased as a result of the ministerial discretion exercised by Minister McKenzie.

Senator GALLAGHER: Just for the record, I think that's the last thing you should be thinking of.

Senator Cormann: No, but that's what you've just said—

Senator GALLAGHER: I think applications should be treated on merit and—

Senator Cormann: Exactly!

Senator GALLAGHER: They're not!

Senator Cormann: That is your false assertion—

Senator GALLAGHER: Money is being funnelled out without applications in some of these programs. Ministers make decisions and, lo and behold! What a surprise! Almost all of this money goes to particular electorates—sometimes for things they haven't asked for. And you think there is no problem with that?

Senator Cormann: As I say, we both go to elections making election commitments. If you had been elected, you would have delivered on your election commitments.

Senator GALLAGHER: This isn't an election strategy.

Senator Cormann: I know that you're not happy that you—

Senator GALLAGHER: This is business as usual for this government.

Senator Cormann: That's because we've been in government now after three successful—

Senator GALLAGHER: So seven years of rotting is fine, is it, just because you've been re-elected?

CHAIR: Order, Senator Gallagher!

Senator Cormann: That is outrageous and uncalled for, offensive language. It's purely partisan, vindictive language.

Senator GALLAGHER: It's not vindictive.

CHAIR: I think we've got well beyond the realm of questions and entered into a debate. And, as we all know, there are better places for that than a Senate estimates committee.

Senator GALLAGHER: In terms of the requirements under the grant rules and guidelines that do sit under the Department of Finance, it's required that, where there are grants programs that are covered by these rules and guidelines, ministers must report annually to the finance minister on all instances where they have decided to approve a particular grant which a relevant official has recommended be rejected and provide a brief statement of reasons. Does that happen in accordance with the rules?

Senator Cormann: Yes.

Senator GALLAGHER: Can you report anything about those? What can you tell me about those reports?

Dr Helgeby: In fact, I think earlier this year the arrangements around those were discussed in this context or in a different context. It was agreed, from recollection, that the Minister for Finance would provide summary material of all those things on an annual basis going forward.

Senator GALLAGHER: On an annual basis going forward?

Dr Helgeby: Yes, that's my recollection of it.

Senator GALLAGHER: And are they provided?

Dr Helgeby: That's prospective, so we're talking about the—there are two things going on here. One is that those arrangements have been in place for a period of time, and the second thing is that there has been some discussion around whether or not there's some sort of disclosure of that reporting on a regular basis to the parliament. The first has existed and the second is coming in.

Senator GALLAGHER: When?

Dr Helgeby: For the next—effectively, we're talking into about April next year.

Senator GALLAGHER: Because it's 31 March?

Dr Helgeby: Yes.

Senator GALLAGHER: How long has this requirement existed—I think it's section 4.12?

Dr Helgeby: As far as I know, they've existed throughout the existence of the guidelines—

Senator GALLAGHER: But they've not been public before?

Dr Helgeby: Yes, that's right.

Senator GALLAGHER: So the minister is the only person who knows; is that right?

Dr Helgeby: On a couple of occasions, ministers for finance—plural—have released this material, but now it's being put onto a systemic basis.

Senator GALLAGHER: Can you tell me a bit more about that?

Dr Helgeby: There were ad hoc releases in a couple of years.

Senator GALLAGHER: Which couple of years was that? Was it recently? Are we talking about the previous government?

Dr Helgeby: I was just clarifying that. I can't remember the date, but the minister did release this material a couple of years ago in response to a request, and then the previous finance minister also did something similar. I can't remember the dates.

Senator Cormann: But we're making that systemic now.

Dr Helgeby: Yes.

Senator GALLAGHER: From April next year?

Dr Helgeby: In effect, because the reporting period—

Senator GALLAGHER: It will be the 12-months lookback, will it?

Dr Helgeby: Yes, the reporting period is through to the end of March.

Senator GALLAGHER: And why can't you do it for the previous 12 months? You're on track to do the 2020-21 year; is that right? That will be nine months of 2020 and three months of 2021.

Dr Helgeby: Sorry?

Senator GALLAGHER: Can you perhaps just tell me what's happened in the last year? How many of those reports have you got?

Dr Helgeby: I actually don't have those with me at the minute. I'll just check if we do. No? We haven't got them with us at the moment.

Senator GALLAGHER: Are there a lot of them?

Dr Helgeby: Typically, they come in in relatively small numbers, but I don't have anything more specific than that.

Senator GALLAGHER: Unless the minister wants to provide that on notice for that period, we wait—

Senator Cormann: I'm happy to take it on notice. We always, of course, respond to questions that are asked.

Senator GALLAGHER: Thank you, that would be great. Has the decision to do it more transparently been taken, or is that decision still for consideration?

Dr Helgeby: The process I've described, which applies in the next calendar year, is the process of making it more transparent.

Senator GALLAGHER: I see. It's a calendar year, with a report in April. So it's not an FBT year.

Dr Helgeby: No, it's an odd year. It's—

Senator GALLAGHER: So you will report—

Dr Helgeby: It's the March period.

Senator GALLAGHER: And, Minister, you will provide on notice what you can in terms of 2019?

Senator Cormann: Yes.

Dr Helgeby: Do you mean the calendar year 2019 or effectively the closest—

Senator GALLAGHER: I guess so, because, if we're going to get 2020 next year, that would be useful. I might come back to the grants, but you go, Senator Scarr, unless there's—sorry.

Senator SCARR: Chair, I have some follow-up questions.

CHAIR: Very quickly, yes, Senator Scarr.

Senator SCARR: Minister, I want to pursue further this issue of grants and programs which were introduced in the budget. I note in budget paper No. 2 on page 139, there's a reference to 'JobMaker Plan—Local Roads and Community Infrastructure Program'?

Senator Cormann: Which page did you say?

Senator SCARR: It's on page 139 of budget paper No. 2. There's a reference there to \$500 million in the 2020-21 year and \$500 million in the 2021-22 year. That funding, as I understand it, is provided to local councils so that they can use that funding with respect to local priorities, from their own perspective.

Senator Cormann: That's right.

Senator SCARR: Can you provide some further clarification or extrapolate the thinking behind that program, which falls within the basket of programs referred to by Senator Gallagher?

Senator Cormann: To be fair and consistent with what I've been saying to Senator Gallagher as well, questions about the specifics of the program you should direct to the infrastructure portfolio. But you are right. This is a program that is going to support local roads and community infrastructure projects around Australia as part of our proposed COVID-19 economic recovery plan. The intention is to provide this on a 'use it or lose it' basis so that, essentially, there's competition between various local governments to participate in this funding, because we want to ensure that the funding hits the ground, so to speak, and delivers value and outcomes.

Senator SCARR: Correct. So would you say that your description of the intention underlying the program is consistent with how the mayor of Ipswich, Teresa Harding, described the program? She said:

This additional funding will deliver important economic stimulus and, through our Buy Ipswich procurement policy, will ensure local jobs are secured and created.

.....

Keeping up with this pace of growth—

in the Ipswich region—

requires a significant investment in planning and delivery of community and local infrastructure and we welcome the extension of the Local Roads and Community Infrastructure program.

Would the mayor's characterisation of the program be consistent with how the program was intended to operate in a budget context?

Senator Cormann: That is what this program is all about, yes.

Senator SCARR: Do you know where the federal electorate is in which the city of Ipswich is located?

Senator Cormann: No, sorry, I don't.

Senator SCARR: For the record, I can say it's located in the federal seat of Blair, which is held, by the Labor Party, by the Hon. Shayne Neumann.

Senator Cormann: It's one of the few seats in the Labor Party—

Senator SCARR: It's one of the few seats. You've got to go looking for them in Queensland, but there are a few.

CHAIR: Thank you, Senator Scarr. Senator Ayres, are you seeking the call?

Senator AYRES: That was a case with the rorted funds, was it?

CHAIR: Let's not have reflections on each other's questions.

Senator AYRES: I want to asked Ms Huxtable a series of questions about the Department of Finance's investigation into the allegations about Minister Sukkar and Mr Andrews.

CHAIR: This is really outcome 3.

Senator Cormann: That is outcome 3, which is tomorrow.

Senator GALLAGHER: It's around procurement, I think.

CHAIR: That's 2.5.

Senator Cormann: It's also tomorrow. Are there people here who can assist with that?

Ms Huxtable: No, not really.

Senator Cormann: It's, literally, something that is on the program tomorrow. We were told not to bring unnecessary people, given the COVID restrictions.

Senator GALLAGHER: I think it's about the actual letting of the contract rather than the substance of the investigation.

Senator Cormann: The people who are involved in this are not here. The people involved in this are part of outcome—

Senator AYRES: It's really about the decisions arounds procurement and—

Senator Cormann: You can ask it in whatever way you want. It's not something that I'm directly involved in, because it's something that is handled independently from any political level of government, whether it's a Labor, Liberal, Greens or Nationals person involved.

Senator AYRES: Yes, they were questions for the department not for you.

Senator Cormann: Sure, and they were questions for the part of the department that appears tomorrow, and there is no way around that.

CHAIR: This part of the program is the less ambiguous part of the department.

Senator Cormann: It's actually very straight forward.

CHAIR: There are certainly grey errors between different parts of outcome 2, but outcome 3 has always been a distinct area.

Senator GALLAGHER: I thought it was more, honestly, about the letting of the contract.

Senator Cormann: No, this contract was let out of the outcome 3 areas in the department.

Senator GALLAGHER: By the same people who'd know the other issues.

Senator Cormann: It's maps.

Senator GALLAGHER: Alright. So when are they—

CHAIR: They're scheduled for tomorrow—

Ms Huxtable: Tomorrow afternoon.

CHAIR: with Senator Seselja.

Senator Cormann: No, it is with—

CHAIR: Sorry, I jumped the gun there. You're right; it's the last thing before we go to Senator Seselja.

Senator GALLAGHER: So the process around engaging the contract and things like that—regardless—has to be asked in that section?

Ms Huxtable: Yes, because that was undertaken by the people who are in outcome 3.

Senator GALLAGHER: By maps. Alright, we'll come back to that.

Senator AYRES: If I get some alternative advice on that, I'll come back to it.

Senator GALLAGHER: I want to go to a couple of things about the GBEs. There are seven GBEs that are Commonwealth companies. Is that right?

Mr Jagers: We've got nine government business enterprises.

Senator GALLAGHER: If you include Australia Post—

Ms Hall: And DHA.

Senator GALLAGHER: And then—

Mr Jagers: Seven companies but nine GBEs.

Senator GALLAGHER: But I think on your website Australia Post and DHA are separated out. Is it the way they're structured?

Mr Jagers: Yes, it's a different corporate structure.

Senator GALLAGHER: That's right. They're all GBEs, but they're not—there are seven that are Commonwealth companies.

Mr Jagers: That's right.

Senator GALLAGHER: And what's the other—

Ms Hall: There are nine GBES. Seven of them are Corporations Act companies, and the other two are statutory corporations—so, they're established by legislation. Australia Post—

Senator GALLAGHER: They have their own legislation.

Ms Hall: They have their own legislation. NBN has its own legislation, but it's not established under that legislation.

Senator GALLAGHER: Could you just give me a run-down of what obligations these nine have for reporting? They all have to provide an annual report, a corporate plan—

Ms Hall: Essentially they have the same reporting obligations as other entities do under the PGPA Act. So, they have to prepare a corporate plan and publish a public corporate plan by 31 August each year, normally. And they are required also to prepare and table annual reports in the parliament similar to other public sector entities.

Senator GALLAGHER: How do they report to shareholders and things like that? What are the requirements there?

Ms Hall: Under the governance and oversight guidelines that apply to GBES they are required to report quarterly, confidentially, to shareholders on progress against the annual corporate plan for the relevant year.

Senator GALLAGHER: What about procurements and things like that? Some of these have large budgets that they're being provided and are undertaking large-scale procurement. How do we get a line of sight on what's happening there?

Ms Hall: That would be through the range of reporting and governance mechanisms that we have in place. The GBES that are running large infrastructure programs report quarterly. Others have sometimes more frequently reporting arrangements—monthly or bimonthly—including obligations to report to the shareholder ministers on other progress with respect to the delivery of the major infrastructure programs.

Senator GALLAGHER: But they're not required to report in AusTender, are they?

Ms Hall: The GBES aren't subject to the Commonwealth Procurement Rules, so they're not required to publish and report their contractual activities on AusTender.

Senator GALLAGHER: I think the Western Sydney Airport company has about \$5.3 billion, is it?

Ms Hall: That's right. The government's committed up to 5.3 equity for the delivery of the airport.

Senator GALLAGHER: And I think Australian Rail Track Corporation has \$9 billion, if I am aware of that figure. There's a not-for-publication figure in the budget, but I seem to recall—maybe it's got that \$9 billion already, and then it's getting a further equity injection.

Ms Hall: That's right.

Mr Jagers: There are some big projects that go through GBES.

Senator GALLAGHER: How do you know who they're contracting and what they're purchasing with that money?

Mr Jagers: Whilst they don't come under the Commonwealth procurement rules, they do have to comply with the PGPA Act and their own legislation; they do have to achieve value for money. They're also audited—

Senator GALLAGHER: But how do we know that?

Mr Jagers: They're also audited by the ANAO. The ANAO has done a number of audits into the procurement of particular GBEs, such as, most recently, Western Sydney Airport and Moorebank as well. There has been a number of reasonably regular ANAO audits of procurement practice. We obviously pick those audit findings up and share them with all other GBEs to make sure others are learning the lessons from the procurement processes and practices that the ANAO has commented on.

Senator GALLAGHER: Do they have to report anywhere publicly though?

Mr Jagers: They don't have to report on AusTender, which is the requirement for corporate and non-corporate Commonwealth entities.

Senator GALLAGHER: If you look at their the annual report, there's not a lot of information that would give the line of sight that you would get, in terms of similar detail, from AusTender, like who's getting what and how much and what the contracts are for et cetera.

Mr Jagers: Commonwealth companies would report in the normal way that corporations would: through their annual reporting process and corporate plan. It's the same for Commonwealth entities. Through their annual reporting process, they would report their financial statements. There are also requirements under the Corporations Act for Commonwealth companies and under the PGPA Act for Commonwealth entities.

Senator GALLAGHER: You can't really find out, can you? I accept there's a balance to be found if you're subject to requirements of the Corporations Act, but you're not really a private company; you're a public company with billions of public funds going in.

Mr Jagers: They're generally very transparent. A lot of the details about their procurements are released publicly to the market because they're trying to attract competition in their procurements. They would usually report the outcomes on their website, and often release statements about the outcomes, as well as provide details in their annual reports.

Senator GALLAGHER: Western Sydney Airport doesn't have their annual reports on their website. They've got their corporate plan there, but they don't have their annual report. I actually found it on your website, not theirs. They have a list of procurement opportunities, current tenders and when they're closed. When it says 'contracts awarded', it just gives a name; it doesn't say anything else. From a probity point of view, do you think the level of reporting is enough in terms of tracking public money?

Mr Jagers: I think we are satisfied. We do see what the ANAO says about the audits. I think, with Western Sydney Airport, the company you referred to, there has been an audit. It was released right at the end of 2019 or early 2020. It was specifically on their procurement activities at Western Sydney airport. So that kind of regular reporting does provide significant transparency for the public about what the company is doing.

Senator GALLAGHER: Is it the same for the Australian Trail Track Corporation? Why is that not for publication?

Mr Jagers: There's an explanation in the budget paper. Budget Paper No. 2 states:

The government will make an additional equity investment in the Australian Rail Track Corporation, primarily to deliver the Inland Rail project. The financial implications of this measure are not for publication (nfp) due to commercial sensitivities.

That's generally the usual practice where an equity investment has been made prior to a number of contractual and capital structuring issues being resolved.

Senator GALLAGHER: The audit into Western Sydney procurement recommends that AusTender be used and the Department of Finance notes the response. What does that mean? 'Noted' is usually a shorthand way of saying 'Thanks, but no,' in my experience.

Mr Jagers: We haven't amended the guidelines to require GBEs to publish on AusTender through what will become part of the Commonwealth Procurement Rules, which have been established for corporate Commonwealth entities. The GBEs operate—

Senator GALLAGHER: Couldn't the ministers just do it as part of their statement of expectations? Do they really have to come in under all the rules? You could join AusTender without, presumably, having to be part of the whole—

Mr Jagers: The GBEs act commercially. Each of them has a board that has responsibility for the performance of each of the GBEs. They're expected to oversee the development of commercial business strategies and the day-to-day management policies, including procurement, of a company. So they have to have regard to the PGPA Act and securing value for money. They do operate in a manner that is generally consistent with the CPRs, but each of the separate businesses needs to apply the right commercial strategies for itself, and that includes the way it does its procurement. From a policy perspective, we haven't sought to constrain those GBE boards by requiring them all to perform their procurements under the CPRs.

Senator GALLAGHER: But, again, my question is: does it constrain a board to report publicly about procurement activities when you're administering public funds? Is that seriously a constraint on them—to report once those contracts have been let or 42 days after?

Mr Jagers: I think you're pulling out one element of the Commonwealth Procurement Rules, which is about the AusTender reporting—

Senator GALLAGHER: I'm just focusing on the publication of procurement activities.

Mr Jagers: Compliance with the Commonwealth Procurement Rules would have a number of other implications for those government businesses—not just the reporting obligations. We haven't taken that decision. We haven't provided advice to make any changes to the way that GBEs operate in their commercial arrangements.

Senator GALLAGHER: But the recommendation from the Auditor doesn't say 'come under the Commonwealth Procurement Rules'. It says, 'use the AusTender website to publicise procurement activities and report on results'. Aren't we talking about two different things, then? You're saying you can't use AusTender unless you come under the procurement rules and I am saying, 'Why?' Why couldn't you just say, 'Guys, we want you to report.' It's public funds. There's a lot of it.

Mr Jagers: It might be something I need to take on notice and I'll come back to you. It's not something I've come prepared to talk to. I might just take it on notice and come back.

Senator GALLAGHER: Okay. In terms of responding to audit reports and putting a formal response, that is a department response, not necessarily a government's response; is that right? It's got 'Department of Finance agreed to recommendation 1'.

Ms Huxtable: I think generally you'll find, Senator, that some recommendations go more to departmental practice and others go to government decision.

Senator GALLAGHER: But would it say that? What if it says that the government agrees? Do audit reports and responses go to ministers, or do you just manage that, Ms Huxtable?

Ms Huxtable: Generally, as I said, when the recommendation is directed at a departmental practice, then we would respond to that. Generally where it relates more to a government decision, we would say in our response that it's a matter for government. Just to go to your question, I think one of the issues here is about how publication of information may hamper or constrain commercial outcomes going forward for the GBEs. You'd be aware of, say, WSA Co, where they have an equity pool, that they're letting work packages as part of that. Giving a sense of outcomes would actually give a sense of what the next work package might comprise, so there are commercial sensitivities that I think the GBEs themselves have to be alert to and aware of. So I anticipate—and the officers would know more detail about it—that they would be mindful of the decisions that they're taking about the information they make available within their reporting structures, about what sort of disadvantage or constraint that might introduce into the system. So it's not quite a black-and-white outcome in the same way that it may be in terms of what's happening within the non-Commonwealth corporate entity space.

Senator GALLAGHER: Sure. I can understand; it is a balance. I guess, in light of the Leppington Triangle and things like that, that when I see Western Sydney Airport has over \$5 billion and that ICAC is interested and the AFP are interested—and there is a lot of money, a lot of developers and a lot of spivs around the general development of this part of Western Sydney—how do you assure us that that money is being tracked and traced, and that it's being used appropriately?

Ms Huxtable: There are governance mechanisms in place, particularly across these large active GBEs where the development process is very much on foot. In this case we have a shared governance responsibility with the infrastructure department, as we do on—

Senator GALLAGHER: For?

Ms Huxtable: For WSA Co and for Inland Rail—so ARTC. In fact we share—the minister shares shareholder responsibilities with the Infrastructure portfolio on many of the GBEs. There is a lot of work that goes on between officials and with the companies to engage with them on a very regular basis in terms of progress that they're making, where they're up to in their work package procurement and the like, as well as the other reporting mechanisms that occur, including the quarterly report to shareholders and the like.

There are also requirements under the guidance in terms of the notification to ministers in respect of specific events—significant events—which Ms Hall can speak to. So there are a range of checks and balances in place, it's not a set-and-forget environment at all.

Ms Hall: As the secretary has indicated, in the case of Western Sydney Airport and its activities in constructing the airport and the terminal, the shareholder departments receive

monthly reporting from WSA Co. there are a range of governance committees which meet to continue to monitor the progress of the delivery. In addition to those reporting obligations there are also requirements in the PGPA Act, section 91, to notify ministers of significant events. That would capture any intention by the company to let a tender, to call for requests for tender or to enter into a contract. There would be a formal notification process from the board of the company to—

Senator GALLAGHER: For any size of tender?

Ms Hall: Above a certain threshold, but definitely for material tenders—yes.

Senator GALLAGHER: The ministers get monthly reports from—

Ms Hall: The shareholder departments get monthly reports.

Senator GALLAGHER: Oh, the departments. And then you brief the ministers quarterly?

Ms Hall: The ministers get quarterly reports. We brief the ministers quarterly and on corporate plans, and in relation to any significant event notifications—section 91 notifications.

Ms Huxtable: Senator, can I also draw you to that report you're referencing—the ANAO report?

Senator GALLAGHER: Yes.

Ms Huxtable: The part that you referred to is the summary, but if you go to the appendices—

Senator GALLAGHER: I was just looking at the recommendations.

Ms Huxtable: Yes, but our response is a summary. If you go to the appendix, there's a 1½-page letter that goes into more detail as to our response to the report, which goes to the issues that I've just described. It's page—actually, I don't know what page it is.

Senator GALLAGHER: Yes, I've got it.

Ms Huxtable: It really goes to the—

Senator GALLAGHER: When you say 'noted', it really is no, isn't it? That's what you're saying. You note the audit's opinion, but you're not going to do it.

Ms Huxtable: Except we do point out there where we would seek to implement elements of the Auditor-General's views—for example, consider an initiative to support GBE use of coordinated and cooperative procurements, noting that that's at their discretion. So it is not really that straightforward.

Senator GALLAGHER: Yes but that's recommendation 1 that you agreed to.

Ms Huxtable: It's more about the intent of those things.

Senator GALLAGHER: I'm not quibbling about that.

Ms Huxtable: And in regard to the 'noted', it points that out but also notes that to make a change in that regard would require a policy decision of government.

Senator GALLAGHER: So is that what the 'noted' is for, then? It's not a no, because government is the only one that can say no—in which case is it before government for a decision? My reading of that is we're not going to see AusTender being used by GBEs.

Ms Huxtable: We consider that there are other factors that you need to consider that are fairly powerful reasons as to why that wouldn't be the case.

Senator GALLAGHER: In terms of public reporting, it's the corporate plan and the annual report.

Mr Jagers: They're the two key reporting mechanisms. In relation to procurement, in Western Sydney Airport's case, they've generally issued media releases for every major contract award and published the details, as we've talked about.

Senator GALLAGHER: Okay, I'm sure we'll discuss Western Sydney Airport more. Ms Hall, do you work with Mr Jagers? Is that right?

Ms Hall: Yes.

Senator GALLAGHER: So you're the officer who watches the GBEs? Okay. Thank you for that evidence. Did any one of the government senators want to ask questions, or shall I keep going until I'm stopped?

CHAIR: You can keep going, Senator.

Senator GALLAGHER: Alright. Minister, the member for Mayo issued a media release on 6 October announcing she'd negotiated and secured \$40 million in budget measures for seven projects in the electorate of Mayo. Are you aware of that media release?

Senator Cormann: I can't say that I have seen that media release, no.

Senator GALLAGHER: It refers to \$40 million in budget measures secured by Centre Alliance, and then it lists the projects that Centre Alliance are saying they secured in the budget. So you haven't seen this release?

Senator Cormann: No.

Senator GALLAGHER: Did you meet with Centre Alliance to discuss any of these projects that were funded in the budget? There are seven projects.

Senator Cormann: I meet with any member or senator who seeks to meet with me on a regular basis. I have regular meetings, obviously, with leaders or crossbench senators, as you'd be aware. From time to time I receive representations, and from time to time the government is persuaded of the merits of proposals being put to us.

Senator GALLAGHER: So you did meet with the member for Mayo over a series of budget measures she was after?

Senator Cormann: I have a long history of meeting with the member for Mayo and others.

Senator GALLAGHER: But did you meet with her specifically—I'm not asking in a general sense—for this budget to talk about specific measures that they were after?

Senator Cormann: I did not have any specific discussions in the context of this budget, but over the past 18 months or so I've had a whole series of conversations with the member for Mayo and others about projects in their communities that they believed deserved consideration. The government considered a number of those projects, and a number of those projects were ultimately funded in this budget.

Senator GALLAGHER: It says that the projects negotiated by Centre Alliance in the budget include—and then it lists a number of multimillion-dollar projects, seven of them in total. Were there budget negotiations with Centre Alliance?

Senator Cormann: No. This is not my press release. I was not involved in budget negotiations with Centre Alliance. But, as I've said to you, from time to time members and senators approach us with proposals, suggestions and ideas and things that they would like us to consider.

Senator GALLAGHER: Not many of them walk away with \$40 million in their back pocket though, do they?

Senator Cormann: I don't agree that that is what has happened here. I don't think—

Senator GALLAGHER: Well, that's what they're saying.

Senator Cormann: No, that is not actually what she is saying.

Senator GALLAGHER: Yes.

Senator Cormann: The member for Mayo is not saying that she's walked away with \$40 million in her pocket.

Senator GALLAGHER: Yes, \$40 million, secured by—

Senator Cormann: You're saying in Rebekha Sharkie's pocket?

Senator GALLAGHER: Centre Alliance.

Senator Cormann: You're saying she has got—

Senator GALLAGHER: Well, you know—

Senator Cormann: Well, that is what you said—

Senator GALLAGHER: I don't know that you have—you're trying to say that you meet with people all the time. My counter to that is: how many times do you meet with MPs and senators who leave negotiations with \$40 million worth of public funds to be spent on projects that they were lobbying for?

Senator Cormann: I have not had any meetings specifically in the context of this budget. But I can confirm that over the last couple of years, in fact, at various times I've had engagements with a range of members of parliament, as I'm sure that during the Labor period the Labor government had a range of meetings with crossbenchers at the time. I remember it well. Various crossbench members and other representatives of course made representations to the government at the time and received—

Senator GALLAGHER: I'm not asking about eight years ago; I'm asking about this budget.

Senator Cormann: I'm sure you're not asking about eight years ago. This is precisely the same process of engagement.

Senator GALLAGHER: It pre-dates my time in this place.

Senator Cormann: Well, that's all very convenient.

Senator GALLAGHER: I'm asking about this budget in this estimates.

Senator Cormann: That is all very convenient, but what I can say to you is that I have not had any meetings.

Senator GALLAGHER: Okay. Are you aware of any other minister who would have specifically met on these seven projects during the budget with the member for Mayo?

Senator Cormann: I'm not aware.

Senator GALLAGHER: Okay. Were you provided with any briefings on these projects in the lead-up to the budget?

Senator Cormann: I don't believe I was provided with any briefings in the lead-up to this budget. But, as I've indicated to you—

Senator GALLAGHER: Do you want a copy of the list of the projects?

Senator Cormann: That might be useful, but I might have to take that on notice. I would say in the broad that of course we engage with crossbench members of parliament and of course from time to time we put forward our proposals for their consideration and they put their proposals forward for our consideration. And after all the relevant processes have been followed we from time to time make the relevant decisions. But I have not been part of any discussion in this budget context along the lines you're suggesting.

Senator GALLAGHER: Could you say, in terms of how these were approved through the budget process—did they come forward as a package? Or as individual measures?

Senator Cormann: I'm not sure what you are suggesting here. I'm just reading this media release: 'Since 2016 I've pledged to always put Mayo first.' So, the member for Mayo engages with the government. That's—

Senator GALLAGHER: Yes. I've got a series of questions—

Senator Cormann: The point I'm making here is that there's clearly been an engagement over a long period, and these are the projects we've put into our budget, where clearly Centre Alliance has provided some advocacy and the government has seen merit in some of these projects. Where there's alignment, that's a sensible thing to do, I would have thought.

Senator GALLAGHER: Okay. Can you advise us of whether any of these proposals were being planned for funding by the government prior to Centre Alliance putting them forward?

Senator Cormann: I'll have to take that on notice. Again, I don't want to take anything away from Centre Alliance. Centre Alliance, over a number of years, has advocated in relation to a number of projects. That's, obviously, not a recent thing. And I'm pleased to see that Centre Alliance is very happy that, in the 2020-21 budget, a number of projects that they strongly advocated for were, indeed, funded.

Senator GALLAGHER: That's the point of my line of questioning. Did these projects go through the normal budget process of assessment and with assurance in terms of Finance costings?

Senator Cormann: These projects went through all of the normal budget processes—all of the normal processes that lead up to a budget and any grants arrangements. We will follow the normal arrangements that always apply in the context of grants under these relevant programs.

Senator GALLAGHER: I think some of them aren't being funded out of one of the grants programs. Where they aren't, were they costed by Finance?

Senator Cormann: Any budget measures have gone through the normal budget process and would have been assessed as appropriate, including by Finance, on the way through.

Senator GALLAGHER: Did you have an agreement in place with Centre Alliance for this package of initiatives? Did you reach agreement with them to say, 'This is what we're going to agree in the budget'?

Senator Cormann: I did not reach an agreement with Centre Alliance about the 2020-21 budget, no.

Senator GALLAGHER: So there's nothing in writing between the parties?

Senator Cormann: There is no agreement in writing about the 2020-21 budget.

Senator GALLAGHER: Ms Sharkie says there was a negotiation to deliver these projects. Usually a negotiation involves two parties considering what's possible. Did you have any commitment or undertaking from Centre Alliance in response to these measures being funded to do certain things?

Senator Cormann: As I've said—and this is not in the context of the 2020-21 budget—over the years, the government has sought the support of crossbench senators for certain proposals pursued by the government, in the same way that the Gillard and Rudd governments sought the support of various crossbenchers in the House of Representatives. And, in the context of seeking support, proposals and issues are raised that are important, through them, and, of course, we engage in relation to those proposals and, where appropriate, we agree to provide funding support.

Senator GALLAGHER: So, in terms of the negotiations that Ms Sharkie says formed part of this \$40 million outcome, did Centre Alliance promise anything in return? I'm not talking specifically about this budget. Was there any agreement reached between the parties on any level?

Senator Cormann: I've got to take that on notice. In terms of these measures in this budget, there wasn't any specific agreement in the context of this budget in relation to any of these projects—

Senator GALLAGHER: But not in relation to this context of the budget—more broadly.

Senator Cormann: I'll have to go back and refresh my memory in which context these particular—

Senator GALLAGHER: You'd know, though.

Senator Cormann: I don't. I've got—

Senator GALLAGHER: You'd know if you had an agreement with Centre Alliance.

Senator Cormann: I've got to refresh my memory in which context these various projects were raised.

Senator GALLAGHER: You've got a very good memory, in my experience, Minister. How many agreements may or may not exist? It just seems to me, if you've got an agreement with Centre Alliance and if the payment for that agreement was these measures which have been outlined in the media release, why the big secrecy about it?

Senator Cormann: I don't agree that there is big secrecy about it. We've—

Senator GALLAGHER: So is there agreement between Centre Alliance and the government?

Senator Cormann: I have publicly acknowledged the advocacy of Centre Alliance in relation to supporting these sorts of projects. In fact, I'm just looking at a report in the *Victor Harbor Times*, where the federal Minister for Finance said:

the \$12 million Australian Government funding commitment to construct overtaking lanes on Victor Harbor Road between Mount Compass and Victor Harbor would improve road safety for all users.

"Ms Sharkie has been a strong advocate for upgrades to Victor Harbor Road since 2016 and the Government has been pleased to work with her to deliver these critical upgrades as part of the 2020-21 Budget.

It's obviously publicly announced. It's publicly released. It's a measure that we stand behind.

Senator GALLAGHER: But what was Centre Alliance providing back to you, as part of the negotiation?

Senator Cormann: I think what sorts of measures Centre Alliance has supported over the years is a matter of public record. I see Senator Waters here. I think that we've negotiated, at some point, with the Greens in relation to the backpacker tax. I think Senator Di Natale referenced that in his valedictory speech. I think that there was an alignment and an agreement to provide additional support for a particular environmental program, in that context. If you want me to go back over seven years of discussions and representations, I'm happy to do that, but I'll have to do that on notice.

Senator GALLAGHER: No. I'd like to know if there is a written agreement between the government and Centre Alliance.

Senator Cormann: I'll have to take that on notice. I've already said to you that I've not signed an agreement in relation to the 2020-21 budget. I've not had any specific discussions about the 2020-21 budget, but, in terms of what was discussed when over the last seven years, I'll have to take that on notice.

Senator GALLAGHER: Have Centre Alliance been around for seven years?

Senator Cormann: It was Nick Xenophon.

Senator GALLAGHER: No. I didn't think so.

Senator Cormann: There were various others—

Senator GALLAGHER: I'm not asking about them. I'm asking—

Senator Cormann: Centre Alliance has been varying—

Senator GALLAGHER: I just find it very hard to believe that you don't know whether there is a written agreement between Centre Alliance and the government that exists. In fact, I think I've been told there is one—I'm pretty sure.

Senator Cormann: The difficulty I have is that you're suggesting this as a direct quid pro quo. Let me say that we have secured agreement at various times in terms of support of the crossbench and we have also, separately, where there was alignment in terms of the government's priorities and crossbench priorities in relation to things that were particularly important to the crossbench. That is something that is not new. That is something that is part of reaching consensus and progressing things that are important all around.

Senator GALLAGHER: Have you—

CHAIR: Senator Gallagher, sorry to intercede briefly. I said that I would give Senator Waters the call before we go to the break. So if you could let me know when it's a convenient time for you in your questions, that would be helpful.

Senator GALLAGHER: Sure. Has there been an exchange of letters between the parties about terms?

Senator Cormann: At various times—and I've tabled letters at various times—there have been letters. At various times—I mean, I think I've written letters to the Greens. I've written letters to—

Senator GALLAGHER: No. It's about Centre Alliance.

Senator Cormann: I'm just saying that I've written letters to the Greens, I've written letters to the Palmer United Party, I've written letters to Senator Xenophon, I've written letters—

Senator GALLAGHER: You're being very evasive here. You make me more interested in it than I need to be.

Senator Cormann: It's a very broad question. Have I written letters to crossbench senators in the past about various measures? Yes, of course I have.

Senator GALLAGHER: Giving undertakings to fund things in return for anything?

Senator Cormann: No. I've not written a letter where I say, 'Do this for that,' if that is the proposition. But, of course, it's a matter of public record that I've made commitments on behalf of the government over the years in relation to matters that were raised with us. That, of course, has been part of the engagement for a very long time.

Senator GALLAGHER: I put to you, Minister, that there is a written agreement with Centre Alliance, which requires them to vote with the government on certain procedural motions in the Senate which assist the government in managing the Senate. Is that correct?

Senator Cormann: We certainly have an agreement that Centre Alliance would not be supporting Labor's attempts to disrupt the government's program; that is true.

Senator GALLAGHER: Is that a written agreement?

Senator Cormann: We put some terms in writing to ensure that there was clarity in which circumstances Centre Alliance would be able to pursue certain measures.

Senator GALLAGHER: Can you table those letters?

Senator Cormann: I'll have to take that on notice.

Senator GALLAGHER: Why?

Senator Cormann: I haven't got any documentation in front of me.

Senator GALLAGHER: But why would you need to take it on notice? You could say, 'Yes, I will table them later,' or 'No, I won't table them.'

Senator Cormann: It's because I have to review whether that is appropriate or whether there is a public interest immunity that ought to be claimed.

Senator GALLAGHER: But you have got a written agreement with Centre Alliance, where they agree to not support certain procedural moves in the Senate that may come up

from time to time. It's a pretty significant agreement, wouldn't you say, that you have locked in votes that prevent other opposition senators from using the powers of the Senate to prosecute certain points, arguments or debates?

Senator Cormann: Every senator—

Senator GALLAGHER: It has a significant impact on the way the Senate runs, and we don't have any line of sight on what it is. It's just two or three people, who have done a deal, who hold or effect the way non-government senators are able to exercise the powers of the Senate on the floor.

Senator Cormann: Every senator is free to make their own decisions on how they want to exercise their vote. It's entirely a matter for every individual senator.

Senator GALLAGHER: But that's not possible if you've locked in key votes that prevent that from happening. That's my point.

Senator Cormann: The thing is, that is the way these engagements always happen.

Senator GALLAGHER: But it's not on a vote-by-vote basis, is it? You've got a written agreement with the crossbench, in a tight Senate, which stops other senators from being able to exercise the powers of the Senate and win votes.

Senator Cormann: It clearly hasn't done that.

Senator GALLAGHER: Has there been any suspension of standing orders, since the election, that have been successful?

Senator Cormann: We reached an agreement with the Labor Party. The Labor Party and the coalition reached an agreement to ensure that there were no suspension debates during general motions. Is that a bad or wrong thing? We reached an agreement. We reached an agreement in writing, in relation to—

Senator GALLAGHER: But this is a blanket on anything, at any time, on any vote, not a transparent—

Senator Cormann: That's not true.

Senator GALLAGHER: It is.

Senator Cormann: No, that's not true. That's your assertion. It's not true.

Senator GALLAGHER: Table the letter and then we can see what deal you've got.

Senator Cormann: I've taken that on notice.

Senator GALLAGHER: When are you going to take it on notice—until you've departed the Senate?

Senator Cormann: I'll be as swift as I can be.

Senator GALLAGHER: Maybe Senator Griff will table it—the party of transparency holding the rest of the Senate to ransom. It looks to me that you've got this agreement with Centre Alliance that allows you to run the Senate as you prefer, without disruption, and they get \$40 million in projects funded in the budget. It's a pretty sweet deal.

Senator Cormann: I reject that proposition. I've got an agreement with the Labor Party to ensure that the Senate doesn't spend too much time in relation to general business motions. We've got an agreement with the Labor Party.

Senator GALLAGHER: Yes, but people are still able to put their motions.

Senator Cormann: The government and the Labor Party have an agreement but they don't come up for consideration. We've also got an agreement with the Labor Party, which was given effect to, that there shouldn't be any debate on suspension motions in the context of government business motions.

Senator GALLAGHER: You have no blanket agreement with the Labor Party on any matter, but you do with Centre Alliance and it stops the Senate from being able to—

Senator Cormann: There actually is no—the truth is that Senator Patrick is an independent, and there is—

Senator GALLAGHER: Do you have a deal with him? Do you have the same arrangement with him now that he's—

Senator Cormann: After the election, which is entirely appropriate, Senator Griff, Senator Patrick and I sat down to discuss the running of the Senate in this upcoming term of parliament, and we agreed to certain ground rules, including no gratuitous disruption of the government's business, and—

Senator GALLAGHER: Who decides whether it is gratuitous? You do!

Senator Cormann: No, that's not right. There are many, many opportunities in the course of Senate proceedings for opposition senators, non-government senators, to scrutinise the activities of government, but the gratuitous disruption of the program is not something that is in the public interest.

CHAIR: I might just intercede here. Although this has been an interesting discussion, I'm really struggling now to tie it back to—

Senator GALLAGHER: It's to the budget, to the \$40 million. That's what it is.

CHAIR: It's getting a longer and longer bow, Senator Gallagher, You've had a decent crack at it, I think.

Senator GALLAGHER: I've just got a few more and I'll—

CHAIR: I think that's gone on fairly long.

Senator GALLAGHER: Chair, it is linked to the budget and I will wrap this up really quickly.

CHAIR: That would be good.

Senator GALLAGHER: Do you have a written agreement with Senator Patrick?

Senator Cormann: As I said, I engaged with Senator Patrick and Senator Griff after the election about the arrangements for this term of parliament but, of course—

Senator GALLAGHER: But since he's become an Independent—

Senator Cormann: I haven't reached any new separate agreement, since then, with Senator Patrick.

Senator GALLAGHER: So there's no written agreement with Senator Patrick?

Senator Cormann: There is no separate new agreement with Senator Patrick since the Centre Alliance has split.

Senator GALLAGHER: Has he given you a commitment to continue to abide by the agreement that is signed?

Senator Cormann: I'm not going to speak on behalf of Senator Patrick.

CHAIR: It is really now getting way away from—

Senator GALLAGHER: Just for the record, in terms of the examples you gave of Labor reaching agreement with you, we did, on standing orders, changes to standing orders that were transparent and went through procedure committee and were debated in the Senate, which is very different from a secret deal written between two or three senators, hidden from view, which stops the Senate from being able to operate in the way that powers have been given to it to operate, which is what—

Senator Cormann: Individual senators are free to make their own judgements on how they want to operate. I know that the Labor Party would always want everyone to vote with the Labor Party.

Senator GALLAGHER: Under your agreement we cannot suspend standing orders without giving notice.

Senator Cormann: I know that the Labor Party would want every senator, at all times, to vote with the Labor Party, but that is obviously not what they've chosen to do.

Senator GALLAGHER: It's a very substantial power that you were able to negotiate, and now you're paying it off with a \$40 million payoff.

CHAIR: Order, Senator Gallagher. I think that's an unreasonable accusation. Anyway, I'll offer the call to Senator Waters.

Senator WATERS: Thanks, Chair. Thank you for being here today. I've got some questions about allegations of the misuse of funds by Minister Sukkar and Kevin Andrews, reported in today's papers, that the investigation by the finance department was outsourced to an external—

CHAIR: Senator Waters, this has been traversed already by Labor senators. The relevant section is outcome 3 of the department, who are not scheduled today. They are scheduled tomorrow.

Senator WATERS: What time are they scheduled tomorrow? My apologies.

CHAIR: No, that's alright. There will be an opportunity to revisit that issue tomorrow in outcome 3.

Senator WATERS: Could you advise me what time that outcome is, please?

CHAIR: It is currently scheduled for 1.30 pm, if I'm reading the program correctly. We could get to it earlier than that, and I'll make sure the secretariat notifies your office if we do.

Senator WATERS: Okay. I do have some detailed questions, which I will take up there, but I also have some broader questions about the management of conflicts of interest in outsourcing procedures generally. Is that something that also belongs tomorrow or is that something that belongs here?

CHAIR: It's probably 2.5, but let's see how we go.

Senator WATERS: Okay.

CHAIR: We have dealt with some 2.5 on this.

Senator WATERS: Alright. I'll go look that up. Thank you.

CHAIR: If it is about this specific issue, though, the relevant people are in—

Senator WATERS: The context is that specific issue, but I'm interested in the broader stance of how these issues are managed.

CHAIR: Let's see how we go.

Senator WATERS: Okay, thank you. I will confine my detailed questions for tomorrow. What processes are in place? Is there a government-wide policy about outsourcing and management of conflicts of interest or a department-wide policy about outsourcing?

Ms Huxtable: There are multiple layers to that question, I think. We in finance manage the whole-of-government procurement arrangements. There are a number of elements to whole-of-government procurement—sorry, I should say, we manage the non-ICT whole-of-government procurement—and Mr Jagers has responsibility for that. So I think there are some issues that he can speak to in that regard. I think there are also issues around how we, within the department, would manage conflict of interest, which Ms Walsh can speak to. That will cover maybe not everything but it will give you a sense, in that regard.

Senator WATERS: Thank you. It will give me a good understanding of the context. I appreciate that Mr Jagers and Ms Walsh. My interest is in how conflicts of interest are managed when selecting folks to outsource things to—so, less about procurement of goods, but rather about procurement of services or consults or advice? What is the process there?

Mr Jagers: I might start with the general, in relation to the Commonwealth Procurement Rules. Under the Commonwealth Procurement Rules, sections 6.6 to 6.8, there are a number of requirements around ethical behaviour. In particular, officials who have to undertake procurement have to act ethically throughout the procurement, and that includes recognising and dealing with actual, potential and perceived conflicts of interest; dealing with potential suppliers, tenderers, and suppliers equitably, including seeking appropriate internal and external advice; not accepting inappropriate gifts or hospitality; carefully considering the use of public resources; and complying with any directions the relevant entity puts in place to deal with conflicts of interest. So, within that framework, there is quite a strong requirement around ethical behaviour, and that does go to managing conflicts as well. Usually you would see entities establish their own arrangements around managing conflicts of interest throughout their businesses, but in particular with regard to procurement. We would also expect that, for large procurements, probity is to be a key consideration of the procuring entity, whether that is through getting particular external probity advice or using internal probity mechanisms, as well.

Senator WATERS: I will have a few follow-up questions on that. But can I ask specifically, in relation to briefing out to law firms, are there any additional specific rules about managing conflicts of interest, when it's about briefing out to law firms, or is it still sections 6.6 to 6.8?

Mr Jagers: I think you are describing briefing out as a procurement, as a process of engagement of a law firm.

Senator WATERS: I am interested in the briefing out to law firms. Is that covered by those procurement rules you just went through?

Mr Jagers: Yes, it is. There is also a legal services panel that has been established by the Attorney-General's Department. That has gone through quite an extensive process of creating a common whole-of-government panel for legal services.

Senator WATERS: Can I ask you about that process or do I need to ask A-GD about it?

Mr Jagers: I think A-GD. We did provide assistance to the Attorney-General's Department along the way, throughout their process. I think we had individuals who assisted with the assessment as well as the establishment of the panel, but it wasn't run by the Department of Finance. It was run by the Attorney-General's Department.

Senator WATERS: Okay, I just left them, after all day there. Now that the legal services panel has been established, do the procurement rules still apply or are they superseded by the fact that they have been preselected on that legal services panel?

Mr Jagers: That panel was established in a way that complied with the Commonwealth Procurement Rules. But the Commonwealth Procurement Rules are still relevant for the selection of individual legal services through that panel. I might be able to get some assistance from Mr Danks on this. As I said, we provided assistance in the establishment. He might be able to describe a little bit more about how it intersects with the CPRs now.

Mr Danks: The CPRs apply to all procurements, whether it is through a panel or an open approach. We can't speak to the specific clauses within the legal services panel, because we don't have that information with us. We could take some of that information on notice, if you wish. But the requirement under 6.6 of the CPRs would still have effect. They would still have to act ethically and consistent with the conflict of interest clauses in the CPRs.

Senator WATERS: That is more about the Commonwealth making sure that they don't have a conflict of interest when picking who gets the prize. But I guess the context of my asking this is that I am interested in what if the person you are selecting has a conflict of interest. How does the process manage that?

Mr Danks: Typically, with any procurement both of those sides' conflicts of interest are dealt with. Again, I think it would be best to direct to the Attorney-General's Department questions as to exactly how the conflict of interest measures inside the panel work. We would expect, again consistent with the CPRs, they would have a process to manage that conflict of interest.

Senator WATERS: I don't think it is working very well, but I will take it up with them. Is there anything more that you think you can tell me now that you know why I'm asking? That's the example that I'm seeking to learn about. Is there any other structural or contextual information I should know about?

Mr Jagers: The Commonwealth Procurement Rules, as they are, are the right reference point, and then specific questions to the Attorney-General's Department about the operation of their arrangement.

Senator WATERS: When was the last time the conflicts section of the procurement rules was reviewed?

Mr Jagers: We update the Commonwealth Procurement Rules reasonably regularly. I'm not sure if there were any changes to sections 6.6 to 6.8 of the CPRs—

Mr Danks: I don't believe that in the latest update we looked at that. I can take notice when the last time those clauses were considered—

Senator WATERS: Thank you. That would be useful. I think that, unfortunately, is all I can ask in the session.

CHAIR: I want to take another 10 minutes or so before we break, so we can allow the minister to leave, as agreed, for cabinet.

Senator GALLAGHER: Minister, what arrangements have been put in place to ensure an orderly transition and handover from you to Senator Birmingham, and when will that happen?

Senator Cormann: As the Prime Minister announced the other day, I will be stepping down as finance minister on 30 October. I'm helpfully making myself available for the final two weeks of Senate estimates, which seemed like a good idea!

Senator GALLAGHER: You are loving it! You can't go before you give me that letter from Centre Alliance! What's it going to do to you if you hand it over? Nothing—you're gone.

Senator Cormann: That's very kind of you. The normal process will apply. As the Prime Minister has indicated, on that day, Senator Birmingham will be sworn in as finance minister and he will take over as Leader of the Government in the Senate. Obviously, Senator Birmingham is very experienced. He is the Deputy Leader of the Government in the Senate now. It will be a seamless transition. I will be doing everything I can from my point of view to ensure there is a smooth handover. Then I anticipate that—having spent two weeks straight in Canberra, and given that I still have some electorate commitments in the following week—I will be stepping down from the Senate by 6 November.

Senator GALLAGHER: It is a slightly unusual situation, where it is a more orderly transition than many changes to ministerial arrangements.

Senator Cormann: I think I gave lots of notice.

Senator GALLAGHER: Yes. Are you providing access for Minister Birmingham now to the Department of Finance, to commence that orderly transition? Have different arrangements been put in place, I guess?

Senator Cormann: No. I continue on as the minister with responsibility for this portfolio until 30 October. When I let Ms Huxtable talk, I assume in relation to matters that I've done in the department. I'm sure that relevant preparations for incoming minister's briefs and the like would be underway. That is not a matter for me. I will do the handover to the best of my ability at our level and I am sure that the finance department is working busily to ensure that they can provide the best possible support to Simon, as the incoming minister, in the same way they have provided outstanding support to me over seven years.

Senator GALLAGHER: Can you explain what you are doing?

Ms Huxtable: We have had the benefit of quite a lot of notice, so, yes, we are well advanced in preparing the incoming minister briefs for the incoming minister. I have had some preliminary discussions with the incoming minister's chief of staff, just in terms of providing a face-to-face briefings in the week that he commences as finance minister, which will be in two weeks time. So we will go through, as the minister says, an orderly process at that point, both providing the written briefings to the minister but also taking him through a familiarisation tour, I guess, of the issues that are managed by the department.

Senator GALLAGHER: And incoming minister's briefings would be underway, not just face-to-face, but—

Ms Huxtable: Yes. I think I said that. We will provide an incoming minister's brief in the normal way that we would and, in addition to that, we will be having face-to-face time with the minister to familiarise him with the breadth of issues that are managed across the department.

Senator GALLAGHER: Minister Birmingham is going to have dual responsibilities—he will be minister for trade and for finance for a period of time. Is that correct?

Senator Cormann: Until later in the year and, as the Prime Minister has flagged, there will be a reshuffle later in the year, but, in the intervening periods, yes.

Senator GALLAGHER: He will handle both those?

Senator Cormann: I think what he's also said is that, given the restrictions on international travel, the level of activity in the trade portfolio compared to business as usual—

Senator GALLAGHER: Is less.

Senator Cormann: is somewhat less. So there is the opportunity there to manage the transition in this fashion.

Senator GALLAGHER: It's still a significant responsibility—having Trade at a time when we've got major turbulence in some of our trading relationship, and the Finance portfolio. I think I heard you say earlier that MYEFO will be in December.

Senator Cormann: I don't know that I said that earlier, but that is the plan.

Senator GALLAGHER: Sorry, perhaps it wasn't you. I think Ms Huxtable was saying that you've got MYEFO in December and the budget in May.

Ms Huxtable: You might be right—I may have said that. That's the normal timetable, as you'd appreciate.

Senator Cormann: Ever since we were elected in September 2013, we've delivered the half-yearly budget update in December, every year—

Senator GALLAGHER: But you haven't always delivered a budget in October.

Senator Cormann: That is true, and I was about to say that. But, in the end, the question is: when do you go back to business as usual? If you delayed it, then you would be harder on the next budget, which should be in May.

Senator GALLAGHER: So the plan is that MYEFO will be in December?

Senator Cormann: That is the plan, yes.

Senator GALLAGHER: Will he need extra resources while he has those dual responsibilities?

Senator Cormann: Sorry?

Senator GALLAGHER: Will Finance have to bolster the support? You've got a new minister; he's got dual responsibilities. Is that something you're planning for?

Senator Cormann: What will happen until such time as there is a full and proper reshuffle that realigns portfolios across the broader government is that Senator Birmingham will be supported by relevant people out of my current office.

Senator GALLAGHER: So your office will stay operational until—

Senator Cormann: Fundamentally, yes.

Senator GALLAGHER: Right, until—

Senator Cormann: There might be individuals at this point that choose to leave, but, fundamentally, the office will remain in place to support Senator Birmingham until such time as there is—

Senator GALLAGHER: Your ministerial office?

Senator Cormann: My ministerial office, yes.

Senator GALLAGHER: But your electorate office will cease?

Senator Cormann: Normal arrangements apply.

Ms Huxtable: And obviously our departmental liaison staff would remain with the minister's office and support the incoming minister in that regard.

Senator GALLAGHER: How many DLOs are there?

Ms Huxtable: Two in the finance minister's office.

Senator GALLAGHER: And were you going to say something else?

Ms Huxtable: No, sorry.

Senator GALLAGHER: I thought you were going to tell me something exciting!

Ms Huxtable: They're excellent—there you go!

Senator GALLAGHER: Okay. I think I've finished on that bit. There are five more minutes, but I don't really have anything that would fit neatly into a five-minute slot, Chair.

CHAIR: I'm sure the minister wouldn't mind if we wrapped it up.

Senator Cormann: I wouldn't mind if I could get myself ready for cabinet.

CHAIR: The committee will now suspend for the dinner break. We will return at 8 pm, continuing with the Department of Finance.

Proceedings suspended from 17:49 to 20:01

CHAIR: The committee will now resume its examination of the Finance portfolio.

Senator GALLAGHER: It's a very quiet estimates, isn't it? Funny; people not here. Anyway, that's good. Minister, just some questions I've got, and it's a bit hard because I know we'll go to these issues with you at the economics committee on Monday and Tuesday but it does come into your area—the fiscal strategy—as finance minister. I don't want to be repetitive, but—

Senator Cormann: It's more in the Treasury space, but I'll have a go.

Senator GALLAGHER: It is a joint thing, isn't it?

Senator Cormann: It's a joint document, you're quite right. I'll try and be helpful.

Senator GALLAGHER: It's more that I think it is important to raise it here in this committee even though we will obviously go through it again. By my count, I think, since this government was elected, there have been—and correct me if I'm wrong—six fiscal strategies; six versions—

Senator Cormann: There have been seven budgets, and each budget has got a fiscal strategy.

Senator GALLAGHER: So, from your point of view, it's a document or strategy that's reviewed annually?

Senator Cormann: The fiscal strategy gets updated as appropriate and, obviously, it's open and transparent when it does. However, there have been seven budgets, and each has included our fiscal strategy. This economic and fiscal strategy is somewhat unique because, firstly, when the budget was delayed and since the last budget update, we entered into the COVID recession. We were hit with a one-in-100-year pandemic.

There were two impacts on the budget, really. Yes, there was the impact of policy decisions but, substantially, for us was the impact of economic parameter variation. Over the forward estimates just on the revenue side of the budget, before any decision or any policy decision is made, tax receipts are down \$227 billion compared to MYEFO just because of what happened in the economy. Payments are up just because of what happened in the economy and because, of course, you end up with more people on unemployment benefits. That is before any decision to double JobSeeker, introduce JobKeeper or provide tax incentives. Obviously, there is a substantial fiscal impact. That is the context against which the fiscal strategy was put together, which is consistent with what we've been saying for some time. Our No. 1 priority, clearly, is to maximise the strength of the economic recovery and jobs recovery, and there are a couple of principles there that are relevant from a fiscal strategy point of view. We are very clear that we don't intend to increase the tax burden on the economy. We don't intend to pursue excessive austerity measures. What we are looking at doing is to allow the budget automatic stabilisers to operate. What that really means is that as the economy recovers, as more people return to work, more people end up paying income tax and fewer people end up receiving income support payments. That in itself, the economic recovery in itself, will help to repair the budget beyond any specific budget repair measures that may be pursued separate to that. It's all set out, I think, pretty clearly.

Senator GALLAGHER: Yes, sure. When I went back and had a look at them, your first fiscal strategy in the 2014-15 budget remained unchanged, in the 2014-15 MYEFO and in the 2015-16 budget. That is why I said there were six, even though there have been seven budgets, because it remained exactly the same. Then you had very minor amendments to it, really, up until there was a major change in the 2019-20 MYEFO and in the last one, where there was a complete rewrite of it, for the reasons you've just outlined. In some of them you use paying down debt as a measure. In others you introduce the term net debt; in others you use gross debt as a way of measuring or outlining the fiscal strategy. I'm interested in why that was the case.

Senator Cormann: The most important measure, always, is government net debt. There are a range of things that feed into both but, ultimately, what is relevant, in terms of debt, is what your net debt position is: your gross debt minus the value of relevant assets that you hold. Our net debt position, even after all of the spending decisions and all of the impacts on the revenue and payments from the COVID induced recession—all of the fiscal support measures on the revenue side as well—even after all of the decisions we've had to make in the hit on the underlying cash balance, net debt is still projected to peak at what is, internationally, a relatively low 44 per cent as a share of GDP. But we are forecast and

projected to be in deficit now over the entire period. That is a very significant difference from the situation we were in in the 2019-20 budget. In the 2019-20 budget we were forecast to be in surplus, over the forward estimates period, and projected to be in surplus over the entire medium term. In fact, government net debt was expected to peak well below 20 per cent and to, essentially, go below zero by the end of projection period.

It's been a significant turnaround, in that sense, but we know why we are here. We also know that we went into this in a comparatively stronger position, because of the budget repair effort in the previous six years. If we had gone into this position with the sort of debt position of some other advanced economies, we would now be in a much more difficult position. Internationally, we are still in a better position than just about any other advanced economy before they went into this crisis.

Senator GALLAGHER: In terms of net debt, and you've drawn us to the important measure that net debt tells the story and the area you want to focus on, when I go back and look through your budget papers net debt has increased in every budget that you've handed down.

Senator Cormann: We've had this conversation before. When we came into government we didn't just inherit a point-in-time situation; we inherited a forward-spending trajectory and we inherited revenue assumptions that had an impact, moving forward, that were unrealistic. The most obvious example of this: the iron ore price assumption underpinning the revenue forecast projections was for an iron ore price of US\$120 a tonne, and it went down to \$45 a tonne very quickly. Obviously all that revenue, without any decision of government, fell away. That is not something we have any control over, where price tapers, when it comes to the international price for iron ore. That is something that happened to us.

But on the spending side, where various increases on various programs were legislated, we're locked into the forward trajectory. Some of it was legislated to kick in from years 5 and 6, in Labor's last year in government. So, it wasn't reflected in the forward estimates period, but it was legislated—for example, the NDIS and various education-related expenditure and the like, and that was literally legislated to start ramping up from years 5 and 6 and beyond. So, we inherited a spending growth trajectory. We made a significant effort to adjust that trajectory, to bring the spending growth down. We were successful in bringing the spending growth down. In fact, we consistently had spending growth in real terms below two per cent, on a year-to-year basis. So, it stands to reason that, compared with the policy settings that we inherited, the debt growth trajectory was lower and debt was lower and was on track to peak lower than otherwise would have been the case.

But to be frank, I think that is all very interesting, but clearly in the context of the crisis that we're dealing with right now the government, in my judgement, had no choice but to step up. We had to step up to provide support to the economy, to business, to the community and to Australians who lost their jobs through no fault of their own. Some have argued—and I think you have argued—that we should have spent more, that we should have been even more generous with JobKeeper and the enhanced JobSeeker arrangements—

Senator GALLAGHER: Not necessarily more, but better targeted.

Senator Cormann: Well, I'm sure that the argument was that we should spend more, including on the hiring credit. I've read that your argument was that we should essentially

apply it to everyone instead of just applying it to workers up to the age of 35. I thought you argued that we should make JobKeeper and JobSeeker available to a whole bunch of cohorts of people in addition to the ones who were already eligible and who we didn't think should be—

Senator GALLAGHER: We also had a suggestion that you have two rates—

Senator Cormann: Foreign-government-owned companies, for example, I think was—

Senator GALLAGHER: so that people didn't get a pay rise.

Senator Cormann: There was a motion in the Senate where you wanted the government to provide JobKeeper to foreign-government-owned companies. My point is—

Senator GALLAGHER: We wanted you to look after a larger proportion of Australian workers.

Senator Cormann: A foreign-government-owned company, and local-government-owned companies—

Senator GALLAGHER: Australian workers.

Senator Cormann: There were various benefits to go to temporary residents and the like. So, you agree with my principal point. And the principal point is—

Senator GALLAGHER: I'm not arguing that you shouldn't be—

Senator Cormann: that yes, we had to step up and spend more, but we probably have spent less than you would have in the same circumstances.

Senator GALLAGHER: I'm not arguing that you shouldn't be spending to support the economy. I don't think anyone is having that discussion. I am interested in what I see as commitments you gave around debt and paying down debt, and quite specific commitments to I think pay down \$30 billion worth of debt in your first year, and you did no such thing, and you increased the net debt situation in every budget and had doubled it for—

Senator Cormann: It's funny: you change your argument to suit your needs.

Senator GALLAGHER: No, I'm not.

Senator Cormann: I'll explain to you why. You had legislated a particular funding growth trajectory for education. Funding for education kept growing under us, but we thought that what you had legislated, what you wanted to put in place, was pie in the sky, unaffordable and unsustainable. So, we thought that the growth should be more realistic—still growth, but more realistic—and you kept calling that a cut. But when it comes to the debt growth trajectory, you're not prepared to say that it's a cut in debt when the debt growth trajectory is less than it would have been on the policy settings we inherited.

It's an entirely inconsistent way for you to argue your position. In that circumstance, you also have to agree that we are increasing funding to the ABC. Any suggestion that we've cut funding to the ABC is clearly false, because all we've done is lower the rate of growth. We haven't actually cut in the sense that you're saying a cut to the debt position would be defined. And, in any event—

Senator GALLAGHER: I don't think you used the term 'lower trajectory' when you made those commitments to pay down debt.

Senator Cormann: But my point is that you're not using the terminology 'lower growth trajectory' in education funding when you describe what we pursued, obviously, in the context of the 2014-15 budget and subsequently; you call it a cut. It wasn't a cut, it was a lower growth trajectory. You can't have it both ways.

Senator AYRES: It's certainly not having it both ways!

Senator Cormann: Well, it's—

Senator AYRES: It's inconsistent to say, on one hand, 'We would do things differently to you,' that's obvious—

Senator Cormann: I'm sure you would do things differently, yes!

Senator AYRES: You might characterise it in a different way to us, and that's fair enough. But, on the other hand, it's for us to say, 'You should be held to what you said you were going to do.' Now, the point—

Senator Cormann: I think there's some convenient picking and choosing though. Clearly, in 2012 we made certain statements about what we would do should we be successful in 2013. That was before the budget position deteriorated between your last budget and your Pre-election Economic and Fiscal Outlook. In 11 weeks it was about \$3 billion a week; there was a \$33 billion deterioration in the budget bottom line between your last budget and the Pre-election Economic and Fiscal Outlook in 2013. We said at the time, just before the election, that of course we adjusted what our fiscal commitments were in that context, and we provided a costings document in the week leading up to the election. It reflected our revised assessment of what was feasible. But of course you go back to statements that go back to a time when you were promising four surplus budgets in a row. What we've always said is that whatever the budget position is that we inherit we'll have a better budget position.

We went into the 2013 election with promises actually based on our election costings. We promised an improvement in the budget bottom line of about \$6 billion over the forward estimates, compared to what we inherited, and we did deliver that and more. But if you want to pick something that was said by my friend Joe Hockey or others at a time when Wayne Swan was promising four budget surpluses in a row, well, then that's obviously not going to be a relevant reference point.

Senator GALLAGHER: You promised to get debt under control, and it increased every year. You had doubled net debt before the COVID pandemic hit.

Senator Cormann: You're being entirely misleading. We did get—

Senator GALLAGHER: I am not being misleading.

Senator Cormann: Let me tell you: we did get—

Senator GALLAGHER: You are the ones who are being hypocritical on debt—

Senator Cormann: No, no—

Senator GALLAGHER: Labor debt is terrible; Liberal debt is fine.

Senator Cormann: Let me tell you: we inherited a deteriorating budget position, we inherited a deteriorating forward trajectory and we inherited a debt growth trajectory. As a result of our budget repair work, we returned the budget to balance and we were on track to deliver a surplus in 2019-20. In fact, in the three financial years prior to the 2019-20 budget—

2018-19, 2017-18 and 2016-17—every final budget outcome was materially better than what was forecast at budget time. And so the comparative position, including the impact on debt, was consequently better than what was forecast at budget time.

And when we delivered the 2019-20 budget we had got on top of the debt trajectory to the point where, within the decade, we were on track to get to a better than zero net debt position; the net debt position was going to be negative. That meant we were going to be in a positive net asset position. That is the extent to which we had got on top of the debt trajectory. But then, of course, in the 2019-20 financial year we were completely blown out of the water. We had a contraction in the March quarter and then we had a serious contraction in the June quarter. And then, of course, everybody knows the impact that the COVID recession had on our revenue, on our payments and on the decisions we had to make to provide fiscal support to the economy. Yes, that is coming at a significant expense and it means that the budget position now is in a much more challenging position. But we did go into it from a position of strength and we're in a comparatively stronger position still as a result of the work we did over the last six years.

Senator GALLAGHER: Minister, did you double net debt, or had net debt doubled under your government, before the COVID pandemic hit—yes or no?

Senator Cormann: It's funny that you corrected that question, because if your question is whether I doubled net debt, the answer is no. The decisions that I was a part of, the policy decisions that I was a part of, improved the budget position, compared to the settings that we inherited. That is absolutely fact.

Senator GALLAGHER: So we could go through it year by year, if you want?

Senator Cormann: Because you refuse to accept that you didn't just leave behind a final budget outcome at a point in time. You left behind a set of policy settings, many of them legislated policy settings, many of them very difficult to unwind in a Senate in which the government didn't have support. So we inherited a forward trajectory, we inherited a set of revenue assumptions that overestimated the level of revenue, which meant that we had to chase down the revenue forecasts, based on more realistic revenue assumptions. So, revenue was much lower, not as a result of anything that we did but because revenue was much lower against your inflated assumptions than what you had previously anticipated. And the spending growth that you had locked into legislation took a while for us to wind down. But we did wind it down substantially—\$250 billion worth of budget repair over the initial decade. The debt position by 2022-23 would be at least \$250 billion worse if we hadn't made the decisions that we have made during our first six years in government. You can try to argue that black is white or white is black but that is the reality—

Senator GALLAGHER: I'm looking at the published figures.

Senator Cormann: You left behind a deteriorating position. You left behind a forward trajectory.

Senator GALLAGHER: You are the government. You've been the government for seven years.

Senator Cormann: And that's right and we take responsibility.

Senator GALLAGHER: You promised to pay down debt, you promised to reduce it, and you increased it in every single budget.

Senator Cormann: It is true—the damage that you did. Just remember that you inherited a massive surplus, a positive net asset position, from the Howard government. So it is true. Given what we inherited, comparatively speaking we started from a much more difficult starting position and we started with a much worse forward trajectory. It did take a while to turn that situation around, but we did turn it around—

Senator GALLAGHER: So has net debt doubled?

Senator Cormann: We got the budget back to balance. We were on track for a surplus. The budget papers were very clear that the projection was for government net debt to return to zero within the medium-term period—that was in the 2019-20 budget—before we were hit with the impact of this global pandemic. But your argument is completely inconsistent, because you're complaining that we haven't done more to reduce debt at the same time that you are saying we should be spending more. If we were taking on board your advice to spend more, the debt position would be worse. Your policy settings, even the ones that you are arguing for—

Senator GALLAGHER: We are not arguing that—

Senator Cormann: now would be putting us in a worse position.

Senator GALLAGHER: When I look at Budget Paper No. 1, chapter 11.13, you can see, year by year, the increase in net debt from what you inherited to where it was before the COVID pandemic hit. So, I ask you again, under this government did net debt double from September 2013 to January 2019?

Senator Cormann: Well, I say, very clearly, under this government—

Senator GALLAGHER: Yes or no? It is a yes or no.

Senator Cormann: You get to ask the questions and I get to answer them. Under our government the net debt position is substantially better than it would have been if we hadn't repaired the fiscal settings that we inherited from our predecessors.

Senator AYRES: No wonder you haven't done any good. It is just excuses. It's just an objective—

Senator Cormann: That is just gratuitous political commentary. I'm just going to ignore that.

Senator AYRES: That's the point: you make commitments about fiscal strategy in year 1 of the government, which are broken by the time you get to year 2, and broken again—

Senator Cormann: That is actually—I don't think you know what you are talking about. You shouldn't even try, because you don't know what you are talking about.

CHAIR: Frame the statement as a question, Senator Ayres.

Senator AYRES: Isn't what Senator Gallagher says correct—net debt has doubled?

Senator Cormann: So you go back to the safety of Senator Gallagher—

Senator AYRES: Net debt has doubled in the period that you have presided over, allegedly, a fiscal strategy that's supposed to secure—

Senator Cormann: Okay, it's very good of you to repeat the assertion that Senator Gallagher—

Senator GALLAGHER: No, you promised to pay down debt and you didn't.

CHAIR: Order, order.

Senator Cormann: Let me say this again very clearly: the fiscal position is much better than it would have been if we had not made the effort, if we had not pursued all of the measures that we've pursued to repair the budget.

Senator GALLAGHER: So you're refusing to answer that?

Senator Cormann: No, I've answered it directly.

Senator GALLAGHER: No he hasn't.

Senator Cormann: You left behind a forward trajectory that you are trying to run away from—I understand that—but the fiscal position of the government, including the government net debt position, is better than it would have been if we had not repaired the fiscal policy settings that we inherited from our predecessors.

Senator GALLAGHER: But you promised the electorate that you would pay down debt and you didn't.

Senator Cormann: Well, we were hit by a pandemic. We had—

Senator GALLAGHER: But this was before the pandemic. You increased it every single budget year.

Senator Cormann: No, we did not make decisions to increase it. We inherited a deteriorating forward trajectory, we repaired it, and we were adjusting and turning that trajectory around. The trajectory was turned around—

Senator GALLAGHER: The amount you borrowed was higher than what was on the trajectory.

Senator Cormann: Let me finish.

CHAIR: Order.

Senator Cormann: You asked me a question and you are now interrupting me. We turned that trajectory around to the point where we were on track to pay off all the government net debt that we inherited.

Senator GALLAGHER: Supposedly—supposedly.

Senator Cormann: That is quite a funny contribution from you.

Senator GALLAGHER: No, it wasn't funny. You made promises around debt, none of which you kept, so why would we believe that one?

CHAIR: Order, Minister and Senator Gallagher, please.

Senator Cormann: Wayne Swan promised four surpluses in a row and then there was not only debt and deficit as far as the eye could see. But even worse than that, from his last budget to the pre-election economic and fiscal outlook, in just 11 weeks the bottom line deteriorated by \$33 billion and, let me tell you, that deterioration didn't stop at the point of the fiscal outlook; that deterioration continued. Yes, it took us a while to get on top of what you left behind and the trajectory that we inherited but that is the reality.

Senator GALLAGHER: You increased the debt every budget. What do you mean, 'took us a while'? Seven years of increasing debt, to the point you doubled it?

Senator Cormann: You clearly don't understand the most basic concepts like if the spending is less than it would have been—

Senator GALLAGHER: Yes, I do understand; don't patronise me.

CHAIR: Order, Minister and Senator.

Senator Cormann: then clearly debt is going to be lower than it would have been. One of the major problems that we faced was that your revenue assumptions were completely and utterly unrealistic, and your assumed revenue was completely unrealistic. Just by putting more realistic assumptions into the budget, we lost an unbelievable amount of revenue, just because the iron ore price was less than half what you had told your budget that it would be. The price of iron ore was less than half compared to the assumption that you put into the budget.

Senator GALLAGHER: In none of your fiscal strategies did you outline that net debt and gross debt would continue to increase for seven years.

Senator Cormann: You know what? I know precisely—

Senator GALLAGHER: This is my point.

Senator Cormann: I was the campaign spokesperson in the lead-up to the 2013 election and I was very, very clear and considered on this point. Our commitment going into that election was we would return the budget to surplus as soon as possible; that was absolutely the terminology. Our costings in the lead-up to that election clearly showed that we would be improving the budget bottom line as a result of our policy measures in that election compared to what we inherited by \$6 billion. That was based on policy decisions. But the thing you are ignoring here is the assumptions that were inside the budget, including, by the way, an assumption imposed on the spending projections that you would control spending growth at below two per cent above inflation year on year, when it was running at 3.7 per cent. So you had actuals running at 3.7 per cent year on year above inflation but you imposed an assumption of two per cent based on supposed decisions that might be made in the future but that you hadn't made to bring that spending growth trajectory down. I mean, honestly, like, you know—

Senator GALLAGHER: So can you show me anywhere you have said over the last seven years that net debt would continue to increase for seven budgets in a row—

Senator Cormann: Well, I'm happy to send you all my—

Senator GALLAGHER: and blame it on Labor?

Senator Cormann: I'm happy to send you all my press releases in the last seven years.

Senator GALLAGHER: You have never said that.

Senator Cormann: I said—

Senator GALLAGHER: Did you say you would double net debt.

Senator Cormann: I've said in every budget and budget update accurately what the forecast and projection was for government net debt, including what the forecast and the projection were on when government net debt was expected to peak as a share of GDP. Indeed in the 2019-20 budget, when we were forecasting a surplus in 2019-20 and over the forward estimates and over the medium-term, we were also projecting that government net debt would be paid off in full at the end of that medium-term. That was the projection. Now,

in that financial year, as it so happened, and every reasonable person around Australia understands this, we were hit with a one-in a 100-year pandemic, which has had massive implications for our economy, including for government revenue and government payments. And we had to make significant decisions to provide fiscal support to the health system, to the economy, to business, the community, and so on. Of course, that comes at a cost. But even after all of that, our fiscal position, including our government net debt position, are still much better than in all of the circumstances that the world finds itself in than just about any other advanced economy around the world.

Senator GALLAGHER: So after doubling—

Senator Cormann: You can repeat that political rhetoric.

CHAIR: Order, Minister, please allow Senator Gallagher to ask her question.

Senator GALLAGHER: It is not political rhetoric! These are numbers from your budget paper; it is not rhetoric. Net debt doubled over the past seven years.

Senator Cormann: Net debt is lower than it would have been if we had not repaired the budget settings that we inherited from you.

Senator GALLAGHER: That is not the question I am asking you, though.

Senator Cormann: You are seeking to ignore what is driving the debt trajectory.

Senator GALLAGHER: I have asked you to confirm that and also to draw to my attention anywhere where that was part of your narrative on debt—that debt would continue to grow, that it would double. Essentially your argument is it is a Labor's fault seven years on. You don't take responsibility for it.

Senator Cormann: I absolutely take responsibility for it.

Senator GALLAGHER: You've done seven budgets—seven deficits, and debt doubled.

Senator Cormann: It's silly.

CHAIR: Order. Just a moment, please. I'm looking forward to adjudicating this all over again in the economics committee next week. It would not be your last appearance before estimates, Minister, if we did not do debt and deficit, but let's try to do it in a bit more of an orderly way if we can. Please pause between answers and questions.

Senator Cormann: I have consistently been candid and upfront. The truth is that we inherited a deteriorating trajectory. The debt position would have been worse if we had not pursued the budget repair effort that we pursued. We are in a stronger, better fiscal position as a result of the budget repair effort that we pursued. Government net debt is lower than it would have been if we had not pursued the budget repair effort that we did. I know that it is convenient and you are very keen to ignore the spending growth trajectory we inherited that we did lower. You are very keen ignore the fact that we inherited unrealistic revenue assumptions, which meant that revenue fell compared to what was published in the budget papers before we got into government. Both of these elements had a substantial impact on the forward trajectory of the underlying cash balance that we inherited. Compared to what we inherited, by the time we got to the 2016-17 budget, we had stabilised the budget, we had stabilised the assumptions underpinning the revenue assumptions we had, we had brought spending growth under control, and the final budget outcomes were consistently, over the subsequent three years, materially better than what was anticipated at budget time. This year,

2019-20, of course is a unique year in many ways in our history, and everybody knows why we are in a position we are in.

Senator GALLAGHER: So when we look at the deficit, according to the budget papers, you are projecting that in 2030-31, the budget will still be in deficit to the order of, I think, \$49.5 billion?

Senator Cormann: So you are now talking—

Senator GALLAGHER: I have moved to deficit, because I feel like we're just going to continue to go round and round on debt.

Senator Cormann: You clearly are not accepting what I'm saying, and I'm not accepting what you're saying.

Senator GALLAGHER: The chair has told me I can't continue to interject when you are baiting me.

CHAIR: That would be ideal, if nobody rose to anyone else's bait, or even didn't give any bait; that would be even better.

Senator GALLAGHER: That's right, which is why I have moved on, because I feel like he is just going to continue to bait me.

CHAIR: Thank you, let's do that!

Senator Cormann: I mean, clearly, what is happening in the deficit position in this budget is that the underlying cash balance, as you would know, in 2020-21 is projected to be \$230.7 billion—

Senator GALLAGHER: Yes.

Senator Cormann: which is equivalent to about 11 per cent of the share of GDP. That is expected to reduce to three per cent of the share of GDP at the end of the forward estimates period. I hasten to add here that only a few days ago, S&P reconfirmed Australia's AAA credit rating on the back of their assessment of our budget papers—a very important point. At the end of the projection period, the underlying cash balance project to go down to -1.6 per cent. Importantly—

Senator GALLAGHER: Which is \$49.5 billion.

Senator Cormann: Importantly, if you go back to page 3-30 that I took you to this this morning in Budget Paper No. 1, you will be able to see on the payment trajectory that payments peak and spike over a short-term temporary period before returning back to the trajectory before the crisis, which is very, very important in terms of this structural position of the budget. But, on the revenue side, because we're in a COVID recession and the economy has shrunk—and it's growing from a lower base even though it's growing—the revenue compared to what was previously anticipated would be lower for some time.

Senator GALLAGHER: Which is on the previous page.

Senator Cormann: That's exactly right. That is the reason why we are not consolidating the position faster. To go back to the fiscal strategy that you referenced before, our view would be that if we tried to achieve a faster fiscal consolidation, either through tax measures or further spending constraints, we would be harming the economic recovery at a time when we believe that that would not be desirable.

Senator GALLAGHER: So, back on the chart 4 on 3-28: I don't think the figure's there but it's in another part of the budget where it says the deficit in that 2030-2031 year is \$49.5 billion. So we've still got a substantial deficit in that 2030—

Senator Cormann: Not because of what's happening on the payment side but because of the lower revenue trajectory on the back of the economy over the medium term being smaller than it was previously anticipated it would be.

Senator GALLAGHER: Are saying that it's not your fault for having a deficit that size because, that's not actually the question I'm asking.

Senator Cormann: This is not about declining to take responsibility. We've been hit with a massive shock—

Senator GALLAGHER: Yes, I understand.

Senator Cormann: and it's going to have an impact over a period. It will take a while before we get the economy back to where it was in the past, if it hadn't been for the crisis. So, even though the economy is expected to grow moving forward, it is growing on a lower trajectory than it was predicted to be.

Senator GALLAGHER: In terms of the deficit reducing, as you say, we've got a sharp dip this year and then it starts its pathway upwards. In 2023-24, it's forecast to be \$66.9 billion.

Senator Cormann: Or three per cent as a share of GDP.

Senator GALLAGHER: It then continues to recover and then in 2024-25 it dips back down again slightly.

Senator Cormann: This goes out to medium-term projections, and I've been really helpful but that's very much a Treasury question.

Senator GALLAGHER: Alright; we'll deal with that next week. The language that you and the Treasurer have been using is 'comfortably below six per cent' before the second stage of the revised—I'll just find it.

Senator Cormann: The way to look at the second strategy are there are two phases to the budget repair strategy. The economic and jobs recovery phase in itself supports budget repair but, beyond that period, once the economy and employment growth have sufficiently recovered, that is the time when we believe it's advisable to pursue further fiscal consolidation measures. If you look at the forecast over the forward estimates—in the projection years, that is—in terms of the unemployment rate, you will see that the expectation is that the unemployment rate will reach 5½ per cent during the 2023-24 financial year.

Senator GALLAGHER: Is that comfortably below?

Senator Cormann: Yes.

Senator GALLAGHER: So 5½ is comfortably below?

Senator Cormann: Yes, 5½ is comfortably below six, if it stabilises at that.

Senator GALLAGHER: Is 5¾ not? Have you got a firm view about what that figure is?

Senator Cormann: Comfortably below six is precisely that. It shows it deliberately, and it'll be a matter of judgement at that time. There are obviously a whole range of things that will feed into the judgement when that is made. From where I sit now, I would say that 5½

per cent is clearly comfortably below six. It will be a matter of judgement for the government at that point in time as to when it feels that we've reached comfortably below that six per cent position.

Senator GALLAGHER: Based on the forecasts in the budget, would 2023-24 be the year for budget repair to commence, if these forecasts hold?

Senator Cormann: Sure. These forecasts are obviously based on the best of our information at that point in time. But the shift from economic recovery to medium-term fiscal strategy and the next phase of the budget repair, as we say, is when the unemployment rate is comfortably below six per cent. We have said quite clearly that we want to ensure that we don't withdraw fiscal support into the economy prematurely. I think there's going to have to be enough flexibility to make judgements on where the economy is at the appropriate time.

Senator GALLAGHER: At the moment, it's forecast to be 5½ per cent in 2023-24. That's at the point where your spending goes back to where it was in MYEFO. In order for you to start doing budget repair through controlling expenditure growth, you would then see your payments go below the 2019-20 MYEFO line. Is that right?

Senator Cormann: At the moment, the forecast and projections are as they are. I can't pre-empt what judgements will be made by the government in the future. You really are going into Treasury territory again. These are questions that really should be directed at Treasury because they own the medium-term projections. So you really ought to ask them what their assumptions are.

Senator GALLAGHER: Okay. Senator Ayres is going to take over for a while.

Senator AYRES: Secretary, finance is tracking \$2 billion of expenditure from the infrastructure stimulus measure from the July update. Is that right?

Ms Huxtable: Was that in response to a question that we took on notice at the COVID committee?

Senator AYRES: Yes, it was.

Ms Huxtable: I might just need to grab the question. Mr Yannopoulos might have it.

Senator AYRES: I'm just trying to find question on notice 2 from the 10 September hearing.

Ms Huxtable: I think I've got that one here.

Senator AYRES: In that answer, I think you said that \$155.4 million of that had been spent as at 1 October.

Ms Huxtable: Yes, I've got that one.

Senator AYRES: Do you have an update to that figure.

Ms Huxtable: I believe these are the latest figures that we have. I think these QONs were submitted relatively recently, so there's been no update since this figure.

Senator AYRES: Thank you. In the budget there's about \$11 billion in increased funding for various infrastructure projects. Will you be tracking expenditure under those various measures as well?

Mr Yannopoulos: Yes. We haven't set up the reporting process yet for the budget just passed. But the answer is: yes, we will be, given the size of that spending and we'll be working with infrastructure to do so.

Ms Huxtable: I note, though, that that's in respect of the COVID stimulus elements of infrastructure, not the whole of the IPP.

Senator AYRES: It's not the whole of the \$11 billion.

Ms Huxtable: Yes. So there's the additional amounts that are for stimulus.

Senator AYRES: It's the brought-forward infrastructure that's—

Ms Huxtable: No. It's the new infrastructure money.

Mr Yannopoulos: Yes. I'm just finding that—

Ms Huxtable: In any event, in some ways it's immaterial because, at the point when we do the tracking for that, we'll then make clear what components of the infrastructure stimulus we're incorporating into the report.

Senator AYRES: How far down the track is that framework?

Ms Huxtable: Sorry?

Senator AYRES: How far down the track is developing that framework? I think you were saying, Mr Yannopoulos, that it's not quite in train yet.

Mr Yannopoulos: I would hope to have something going by the end of this year. What would be important is to work with the department of infrastructure on which elements state and territory projects lead, because you've obviously got some of—I think the minister mentioned it earlier—the use it or lose it arrangements. So those are the areas where there will be a great deal more focus on timeliness, versus existing projects or projects that are brought forward that have still got to go through a planning process or something like that. We need to do that work with infrastructure, and I'd imagine we'll do that this year.

Senator AYRES: I think I understand that complexity—that that will take you through the year. So we'll be in a position, at supplementary estimates, where you'll have that material. Is that right?

Mr Yannopoulos: Yes. I would think so—at additional estimates.

Ms Huxtable: I expect so—yes. There are obviously a range of measures in here. I think most of these cover more than one financial year. Clearly, if a measure is fully implemented, we wouldn't be tracking that. More so, we'll be a little bit fluid in terms of what we're tracking. But, just to be clear, we're not tracking every spending program in the budget. It's quite focused on the COVID response. I think we went through that at the COVID committee.

Senator AYRES: Yes, it sounds like it. And you'd be in a position to tell us on notice, out of the infrastructure funding, which is COVID related and which isn't?

Senator GALLAGHER: With the table that you did in the QON, has that grown at all, with the new budget measures?

Ms Huxtable: No—well, we'll need to now do a review of this. So this was all based on the July Economic and Fiscal Update, and the reference points refer to that document. We'd now, I think, sit down and look at this vis-a-vis the measures in the budget. There might be some things that don't require such active tracking because they're very well advanced, and

there might be others that we'd want to bring onto that, but we just haven't gone through that process. We do this very much hand in hand with the partner agencies. We have to do it like that.

Senator AYRES: The question that I was approaching asking is: so it's really a matter of updating that table, I suppose: adding new measures in, taking account for what's completed.

Ms Huxtable: Yes. I think that's fair. This is the table as at the JEFU. I think we'll need to say post-budget, 'This is the table post-budget,' and we haven't done that yet.

Senator GALLAGHER: So you haven't decided that for elements of the JobMaker plan or the supporting Australians back into jobs—there are a range of different measures. They haven't been included?

Ms Huxtable: Not as yet, no. But I think we actually provided this in advance of the budget.

Senator GALLAGHER: You did.

Ms Huxtable: This was prior to the budget being brought down, and so now, post-budget, we will look at that.

Senator GALLAGHER: So you will track some additional measures, but not all?

Ms Huxtable: I expect that's fair, noting that—I think we spoke earlier this morning about some additional funding that we've got to support this element of our work, because this is not work that we have routinely done in the past, as we discussed, I think, at the COVID committee. We have broader tracking mechanisms as we're managing estimates variations and the like, but we haven't done this more real-time tracking. It's quite a complex piece of work, and you've got to do it very closely with the agency.

Senator GALLAGHER: I don't think we touched on this before we had a break: with that \$30 million, is it because of the increased spending that you're doing this tracking, or is this going to be an ongoing feature of Finance's role? We sort of touched on it. I don't think we dealt with it because it's a four-year measure—

Ms Huxtable: Remember that that \$30 million has got a whole range of things in it, so we haven't quite bedded down all of the elements of that. Some of it is related to just increasing our cadence and capability. Some is around commercial issues, and then there's this in there as well. In the COVID environment, where the stimulus of these measures and job creation impact of these measures is so important, that's really the environment in which this tracking is occurring, so that you can see what's going out the door and be prompting agencies around their performance in that regard but also what the impacts of that are. In terms of how long this is required, I think we need to be considering that on an ongoing basis.

Senator AYRES: I wasn't there for the COVID committee part of this discussion, of course. What is being tracked? Expenditure is being tracked, but you're saying that the job impact is being tracked as well?

Ms Huxtable: No. There's the tracking of expenditure. It's more a prompt to have an engagement with agencies about whether money is going out the door at the rate which they anticipated. We are doing that in the monthly financial statements but not at a measure level.

Mr Yannopoulos: We had been adding for our minister some of the nonfinancials, like how many new people were on JobSeeker this period, the number of people on zero rate—if

you like, putting data together with what the policy department is doing with the financials to support decision-making in a time when lots of things are happening. As we are getting into recovery phase, we need to examine, with our portfolio agencies, what things make sense. Do we have data that can be provided regularly? In the case of projects that are run by states and territories, I don't believe they get a weekly feed of progress, so we've just got to go through that process over the next period to work out what we will be reporting and what makes sense to support ministers and the government.

Senator AYRES: I appreciate that all of this won't be tracked, from what I've heard you say. There's \$11 billion in increased funding for various infrastructure projects. Add that to the July update, and it's around \$14 billion. The claim the government has made is that that will support 40,000 jobs. I think that's right, isn't it?

Ms Huxtable: I don't know whether I can that say off the top of my head, but those issues are more a matter for the agencies. So it's not—

Senator AYRES: But nobody is tracking that, are they?

Ms Huxtable: I'm sure they are. They're the policy agencies responsible for the implementation of these policies, and they have all their performance metrics and implementation arrangements in place. This is really bringing together in one place a report that we can produce on a fairly regular basis that just shows where things are at—not waiting for a final budget outcome or analysis around monthly financial statements. And I think, actually, monthly financial statements are just not pitched at this level, so it's quite hard to disaggregate information. So it's creating a different product that is very much a bespoke product for the times.

Senator AYRES: Someone will call it a dashboard or something like that at some point, won't they?

Ms Huxtable: I don't think it's a dashboard.

Senator AYRES: Good!

Senator GALLAGHER: What's the tracking going to be used for? Is it to provide assurance to the ministers on what's been promised?

Ms Huxtable: I think it's a useful addition to the finance toolkit, as proposals are coming forward, to have a good sense of what's already out there, how it might aggregate together and what the spending trajectory is looking like. It's just another piece of information that we think—and we have thought over the last four months—has been a useful addition to the information that we would normally bring to the table, and it's not information that we've tended to collect in this form before.

Senator AYRES: In the final budget outcome, there was an underspend in road and rail infrastructure of about \$1.7 billion which was attributed, I think, to COVID and bushfires. Over the last six budgets there has been an underspend on infrastructure projects of \$6.8 billion in total. How certain are you that the infrastructure spending that's been promised is going to be delivered?

Ms Huxtable: There are two elements to the infrastructure programs. There you're largely, I believe, talking about the Infrastructure Investment Program, the IIP, which is rolled out through the states and territories. There are movements of funds that tend to occur at every

budget around the Infrastructure Investment Program to better align with milestones. That process occurs. The measures that we're seeing here have been developed with a view to what can be on the ground quickly, what's going to have the maximum job creation impact, which is why we're particularly interested in those, and the government is particularly interested in those in terms of that sort of impact element.

I think we're talking about two slightly different things. There is some overlap, because there obviously will be IIP projects that are also an important part of that activity and stimulus activity. Having been around this for some time, that movement of funds in the IIP is a very regular part of budgets and has been as long as I've been involved in budget processes. You really need to go to Infrastructure on the detail. It's often very hard to predict the milestones in the early stages of the project, and then over time that tends to become a much more certain profile. There's a gradual tightening of the profile over the time.

Senator AYRES: In relation to those COVID-19 infrastructure measures, it's designed to provide a level of accountability and discipline, not just to Commonwealth departments but presumably where these things are delivered in partnership with the states?

Ms Huxtable: It certainly gives that additional focus and brings it all into one place.

Senator AYRES: Does it have any other purpose than that?

Ms Huxtable: The primary purpose is to be part of that finance tool kit to support advice to government. I think it builds on the way in which we aim to work with agencies to sort of have shared views, and also so that the information that we have and the information that they have is shared so that ministers are receiving the same information rather than having disputes about what has actually been spent. In some ways the process of actually gathering and analysing the information is as important as the product. We've already found in the work that we've done to date that those conversations that happened to understand what we're seeing in the actuals versus the estimates are important prompts on both sides about whether there are ways we can do this differently or whatever it might be.

Senator AYRES: Is it something that's being developed inside the department, or is it something that you've been asked to develop? Where did the impetus for this come from?

Ms Huxtable: I don't know that it was quite that black and white. We have very regular engagements with the minister's office. I would say that through the course of those engagements we've talked about an expenditure monitoring tool. I think it was probably a bit of both, just an agreement that that would be a useful thing to do.

Senator AYRES: Given that this will be in the tool kit, from Finance's perspectives you don't think there will be an underspend problem with the new infrastructure spending?

Ms Huxtable: We'll be closely monitoring, as will Infrastructure I'm sure.

Senator GALLAGHER: In terms of understanding the complete suite of services and advice that Finance provide, on the measures outlined in the budget there are a lot of jobs numbers given alongside different measures. Lower taxes says 100,000 jobs by 2021-22. The hiring credit is 450,000 jobs. Boosting apprentices is 100,000 new apprenticeships or trainees. Does Finance have a look at those as part of your assurance process, or is that really a Treasury job linked to their modelling that they do on particular things? Do you give those a tick and say, 'Yes, we agree that those are the jobs that will be delivered'?

Mr Yannopoulos: When it comes to the effect on the labour market, that is a Treasury estimate.

Senator GALLAGHER: So you don't really look at that at all?

Mr Yannopoulos: Yes, we look at it, but we don't have the expertise to, I guess, suggest it's incorrect. They have the feeds from the Bureau of Statistics—

Ms Huxtable: Yes, they own the underlying modelling.

Mr Yannopoulos: the labour market surveys that provide those things. But there are some measures—I think you might have mentioned the apprenticeship one—

Senator GALLAGHER: Yes.

Mr Yannopoulos: where the number of jobs was a function of the number of places that are going to be subsidised.

Senator GALLAGHER: Yes, so, in that sense, you can see, because your subsidy goes to a job—

Mr Yannopoulos: Yes.

Senator GALLAGHER: whereas, with the tax cuts, you're less able to trace that?

Ms Huxtable: It's a modelled—

Senator GALLAGHER: Yes, it's a model, exactly. So Finance doesn't endorse, necessarily, the job numbers, but you cost and check the cost of the measures?

Mr Yannopoulos: Yes.

Senator GALLAGHER: So, with the \$4 billion hiring credit, for example, you would work that out and make sure that is—

Mr Yannopoulos: That's right.

Ms Huxtable: That's a Treasury costing, I assume.

Mr Yannopoulos: I think that is a Treasury costing, yes.

Senator GALLAGHER: Okay, so you don't cost Treasury's costings?

Ms Huxtable: We do have an agency advice unit that mirrors the Treasury function, and they would do some assurance over Treasury costings, but a lot of those Treasury costings, because they're so driven by their models—

Senator GALLAGHER: So they get a fast-tracked process, do they?

Ms Huxtable: Not necessarily. We treat everyone equally.

Senator GALLAGHER: Sure! It's not what your evidence just was!

Ms Huxtable: They are given equal attention.

Senator GALLAGHER: They're in the premium lounge; everyone else is in the Qantas Club.

Ms Huxtable: No, no, no. So, because they own those models around the employment impacts—

Mr Yannopoulos: They own the labour market models that show what the economy looks like, and then they can suggest some parameter changes and generate out of that model what

is happening or what that might mean. We don't have those models running in our organisation to be able to say, 'Yes, that's right.'

Senator GALLAGHER: Okay.

Ms Huxtable: And they do cost all the revenue items, just to be clear. So we cost the [inaudible] items; they cost all the revenue items.

Senator GALLAGHER: Yes. When I look at the major measures, most of them are Treasury. Under the JobMaker Plan I guess the apprentices would fall under Education and Employment?

Ms Huxtable: Apprentices are Education.

Senator GALLAGHER: Yes, Infrastructure is various, but mainly Infrastructure?

Ms Huxtable: Yes, that's correct.

Senator GALLAGHER: So you would check theirs; they're in a different stream?

Ms Huxtable: Yes. The only caveat I would make is where there are those Treasury generated proposals that are predominantly about the employment market. While we would still do a review of that, they've got all the underlining information that sits under that. But, in terms of other major programs, we agreed the costs on all of those.

Senator GALLAGHER: Are there any other specific measures that you're going to have a key role in? The Modern Manufacturing Strategy—would you be involved in that? What about the digital business plan, for example? There's a lot of digital stuff that has happened—

Ms Huxtable: We receive a very small amount of funding to support gateway review processes, and a lot of those ICT projects will have a gateway review assurance function. There are some measures where we directly have responsibility—this is the brief that I didn't have earlier; hopefully someone can give it to me now—or we are a partner. For example, on the Inland Rail equity injection, Infrastructure is the lead, but, because we have joint shareholder responsibility—

Senator GALLAGHER: You're at the table.

Ms Huxtable: Yes, we have quite a lot of involvement with that. Matt can correct me if I'm wrong, but the real focus of our attention, particularly in the budget and financial reporting area of the department, is more on the development of proposals leading up to the point when the decision is taken. That might be through IDC processes or through the engagement that happens, say, with the health portfolio around the vaccine purchasing—we were very involved in developing the thinking around that and supporting the development of that. That's really where the bulk of our work occurs. Probably less—

Senator GALLAGHER: Post—

Mr Yannopoulos: I think—

Ms Huxtable: It's less in terms of implementation of things, except of course if you come around again to look at potential estimates variation of a program where it is not tracking as forecast, either up or down, but you know in the past particularly that it has been a higher rate of growth than expected—

Senator GALLAGHER: Yes, you get back involved.

Ms Huxtable: We would then be looking with the agency about that, or where there have been proposals that come forward to amend or vary programs. Obviously, we'd then be back at the table on that as well.

Senator GALLAGHER: Okay. What about the dereg package? Again, is that more Treasury's?

Senator Cormann: PM&C actually.

Ms Huxtable: PM&C had a task force I think—

Mr Yannopoulos: That's right, yes.

Ms Huxtable: We had some involvement in that, didn't we, Matt?

Mr Yannopoulos: Yes. We costed all the elements that made up the package, per the process that I explained this morning, and we provided our views into the deliberative process of government.

Senator GALLAGHER: Okay. I've got some questions that relate to the additional resourcing for the APS but I'd prefer to deal with those tomorrow, if I can, because I have quite a lot of questions.

Senator Cormann: We all have a long day tomorrow.

Senator GALLAGHER: We do have a long day.

Senator Cormann: So we don't necessarily have to keep going tonight! We have a full-on day tomorrow.

Senator GALLAGHER: We do! That's true. Would people like to finish soon?

Senator Cormann: Now, if you want!

Senator GALLAGHER: Very soon? Remember, you hung around for this voluntarily! I don't know that it's within my scope to let you go early. That's the most excited I've seen you since we started talking about debt almost 15 minutes ago!

Senator Cormann: I think we talked debt for about 45 minutes!

CHAIR: Let's just finish this line.

Senator GALLAGHER: I'll ask some questions about women. Does Finance do any gender impact of measures, or do measures come with any gender impact as part of their paperwork to you for costing assurance?

Mr Yannopoulos: No, not as part of the process.

Ms Huxtable: We may identify some issues and raise them in the advising process.

Mr Yannopoulos: Yes.

Ms Huxtable: But not specifically issue framing.

Senator GALLAGHER: On the women's statement and measures that go to PM&C: I think they're grants, or are they coming under—I don't think they do, but they are covered by the grants rules?

Senator Cormann: The Women's Economic Statement is led by the minister for women's interests who—

Senator GALLAGHER: It's in PM&C though, is it?

Senator Cormann: Yes, that's right.

Ms Huxtable: Yes.

Senator GALLAGHER: But you don't have any policy capacity in your area as part of the costings of measures to have—

Senator Cormann: Costings are neutral in the sense that the policy responsibility is with the relevant portfolio. Finance's role is to verify assumptions and verify methodology, and to ensure there's rigorous analysis around the credibility of costings that are being put forward. But in terms of the content, policy choices, the lead is obviously with the portfolio.

Senator GALLAGHER: I did print off your organisational chart; I don't know what I did with it. But you do have policy capacity within your department, don't you, Ms Huxtable? Do you have general policy advisers, or are you—

Senator Cormann: You're thinking about the units?

Ms Huxtable: On matters that we are responsible for, we have agency advice units.

Senator GALLAGHER: That's right.

Ms Huxtable: The agency advice units are within Mr Yannopoulos's area, in BFR, but they mirror the departments of state. Basically, they're the entry point on all budget payments related matters into Finance, and that's the area that's generating the green briefs, agreeing costs and preparing advice. We then have policy responsibilities, if you put that to one side, in respect of matters that are our responsibility, such as in the commercial area—the management of government business enterprises, procurement, property et cetera. Similarly, in the governance and resource management area, we have policy responsibility for electoral policy, resource management, frameworks—thanks for your help back there!—and shared services. So there's a whole range of things where we have primary carriage.

Senator GALLAGHER: He is pretty relaxed this evening—hiding up the back! It's alright. I don't mean to encourage you. Stand ready! So they're the people who would pick it up when a measure comes for you to review? They would be the ones who know the policy area and so know if there's someone spinning a line—

Ms Huxtable: Yes.

Senator GALLAGHER: or it's unrealistic from a policy point of view, which is what I'm trying to understand.

Mr Yannopoulos: They are the core part of our contestability function.

Senator GALLAGHER: Okay. How big is that unit?

Mr Yannopoulos: There's generally one per portfolio—or there is one per portfolio, I should say. Mostly they're a team of about six or seven people, so they're small, and they gain deep subject matter expertise in a portfolio in their programs and assist us in the process of review.

Senator GALLAGHER: Do you usually get them from the line agencies? Is that where they originate, or are they specially developed in Finance?

Ms Huxtable: It's a mix.

Mr Yannopoulos: I think it's a mixture.

Ms Huxtable: Yes, it's a mix. Certainly, since I have been in the secretary role, I've been keen to bring people in from other agencies and also give our staff the opportunity to work in the line agencies, because I think getting a picture at the centre of government of the work that we do and the budget process is invaluable development work for people, but so is enabling our staff to go out and work in line agencies and develop their stakeholder management and relationship skills and understand the implementation challenges that departments have so that, when we go through the sort of costing and contestability process, we have a more holistic view, I guess, of the things that should be taken into account in agreeing costs. So, yes, it is a mixture and it's something we continue to work on—getting that diversity across the whole department, to be honest. Matt and I both came from Health, so we've had experience outside, and I guess we appreciate the benefit that that's given us in these roles.

Senator GALLAGHER: No-one's going to slip something past you from that department.

Ms Huxtable: Yes.

Mr Yannopoulos: They will try, but no!

Ms Huxtable: I think they liked us more when we were on the other side!

Senator GALLAGHER: I'm sure they did! Finally, on the graduate program, how many graduates does Finance take?

Ms Huxtable: It's around 30.

Senator GALLAGHER: Has that been affected by COVID-19 going forward?

Ms Huxtable: Interestingly, the graduate program that we ran this year was quite different to previous years.

Senator GALLAGHER: Yes.

Ms Huxtable: We have led, with the APSC, a generalist graduate entry program that covers five agencies, and this is a first step in seeking to have a broader approach to graduate recruitment so that individual graduates don't have to apply to individual departments and go through all the processes. On a personal note, I have a number of kids who have gone through this process. It can be very onerous for them to do it, and also it's not a great message to say, 'Well, we're not necessarily one APS; we're the employment department,' or the health department or this or that. This is the first year that we've run that program on behalf of five agencies: the APSC, the Electoral Commission, DVA, the National Indigenous Australians Agency and ourselves. We're going to look to expand that next year, so it's not a typical round for us. From memory, and Clare will be able to help me, I think there were 2,000 applicants—were there?—a very high number of applicants, I believe.

Ms Walsh: I think you asked for the number of graduates in Finance?

Senator GALLAGHER: Yes.

Ms Walsh: That's 34 in 2020. We also have the Career Starter Program, which is mainly for people straight out of school, between school and university. There were 23 in 2020.

Ms Huxtable: On the career starters: we manage that on behalf of 10 agencies, I think it is now. From memory, there were around 69 career starters across the Commonwealth last year.

Senator GALLAGHER: Are they like trainees or—

Ms Huxtable: They're straight out of school. They go into junior positions across the public sector. We support them with their studies. Many of them will get their degrees in three or four years. The great benefit of career starters is that they're very keen when they arrive. They're quite young, with degrees and six or seven years of work experience by the time they're in their mid 20s, so they're fabulous employees. We've had many who have gone on to do really great things.

Senator GALLAGHER: Are they high-achieving students who come through that program, or career starters or what?

Ms Huxtable: They're young people coming out of year 12 who aren't going down a full-time university track. They're entering the workforce at year 12. I don't have the—

Senator GALLAGHER: But do you look for academic excellence or anything like that?

Ms Walsh: I don't have the criteria in front of me, but I think we would always be looking for a diversity of skills. That's what's really important in terms of the way we build the Public Service going forward—not everyone looks the same.

Senator GALLAGHER: I agree.

Ms Walsh: Senator, while I have the floor, you asked about the number of applications. For the graduates—the whole APS one that we run—there were 2,265 applications under the Australian Government Graduate Program (Generalist Stream).

Ms Huxtable: Which is the one we ran on behalf of those five agencies.

Senator GALLAGHER: Is that for next year?

Ms Huxtable: Yes.

Senator GALLAGHER: And is that up on—

Ms Walsh: That's five participating agencies.

Ms Huxtable: That's not comparable to what we've done before because this is the first year we've done it on behalf of others—

Senator GALLAGHER: Okay, you can't measure it.

Ms Huxtable: In previous years, it's been—

Senator GALLAGHER: And is the program going to stay the same? Would you expect to have an intake at the same level next year?

Ms Huxtable: I think our intake next year is similar—

Ms Walsh: Yes, I think it is—

Ms Huxtable: but we haven't quite bedded down all that now. I think we're just getting toward the end, so we might be beginning to make offers. I'm not exactly sure where that is up to.

Ms Walsh: Yes, we're getting close to making offers. I don't know yet, because I haven't seen the breakdown of where successful candidates might be coming from to see if COVID is going to have an impact in terms of people being able to start and how, obviously, we adjust for that. We'll try to do as much remotely as we can to facilitate people starting if they can't move physically.

The other thing I wanted to say on the Career Starter Program is that it's very popular. Increasingly across the Public Service, other departments are becoming more aware of the opportunity it presents. I can see that picking up as well. There's a lot of interest in that going forward.

Senator GALLAGHER: Yes. What ASO level do they come in at? Do they have their own classification, or do they come in as an ASO 1?

Ms Walsh: As an APS 1, yes.

Senator GALLAGHER: There wouldn't be that many APS 1 jobs left in the Public Service, would there?

Ms Walsh: Some of our Comcar drivers are.

Senator GALLAGHER: Yes. But these career starters aren't going to be Comcar drivers.

Ms Walsh: No, not at all.

Senator AYRES: Are they all on the pathway into university eventually?

Ms Walsh: I think a lot of them will look to do part-time study.

Senator AYRES: Yes. So it's a slightly different cohort of kids to what you might get as a group of graduates.

Ms Walsh: Right.

Senator AYRES: So it's a more diverse sort of cohort that you're looking for—

Ms Walsh: And they're also quite job-ready as they work through their studies, if you like, because they're getting real-time direct experience in the Public Service whilst also looking at the academic side of their own development. Putting the two together is, as you said, quite a unique and different cohort.

Ms Huxtable: And we do encourage them to do their study and their degrees. Not all of them do; we don't require them to do it, but we really do encourage it.

Senator GALLAGHER: And they have an ongoing job?

Ms Huxtable: Yes. They're permanent members of the Public Service, and they've gone on to be really successful within the department. I have a little executive support team, including an executive officer, and I think I've had four executive officers over my time in Finance who've come out of the Career Starter path, and they've been fantastic.

Senator GALLAGHER: I have one more question—although I don't want to stretch the friendship tonight. I think I saw that a lot of Finance people put their hand up for reassignment during COVID, which I think we covered a little bit during the COVID committee. Am I right to think there were quite a few Comcar drivers who—

Ms Huxtable: Yes, there were.

Senator GALLAGHER: went to Services Australia or—

Ms Walsh: The opportunity was provided to our drivers and yes, we did have a number take that up. I think it was around 45. I'd have to check that number to be precise. We also offered a second round, where other jurisdictions had opportunities. The take-up there was lower. But that was okay. We didn't have just Canberra opportunities.

Senator GALLAGHER: Have most of those returned to Finance now?

Ms Walsh: Do you mean the Comcar drivers?

Senator GALLAGHER: No, just in general—the people who were seconded.

Ms Huxtable: We still have some people down at Services Australia. Many of them have returned, but we still have people there, including Comcar drivers.

Ms Walsh: That's right—exactly.

Senator GALLAGHER: So, there was a peak period, presumably, of April to—

Ms Walsh: Yes, when Services Australia was really trying to—

Senator GALLAGHER: August or something.

Ms Walsh: Yes.

Senator GALLAGHER: Were you happy with that—how your department responded—Ms Huxtable?

Ms Huxtable: Yes, very. I thought it was great. People were really willing, not only to completely change the way they worked. As with all departments, we moved to a remote footprint almost overnight. Fortunately we'd already made the investment into the technology. Everyone has a laptop, so they could easily move. But also we've invested in remote access solutions. I think early on that was stretched a bit, because we had such a large external workforce at that point. But we made some adjustments to that, and quite quickly. That was quite a smooth transition for people—but also the willingness of people to put their hand up to be redeployed and to do things differently. We also had a very active reprioritisation process to create that space for people to go on and work. Predominantly I think people went to Services Australia, although we also had a number of our SES who volunteered to do other roles. For example, we had one who worked in the APS workforce mobility area. In fact, Mr Hunt, who was here earlier, worked with the COVID commission for a period. So, people were very willing to do things differently.

But I think one of the very pleasing things is that we've seen our productivity being equal and better. We've been very, very busy over this period, as you'd appreciate. There's been a lot of decision-making that government's made that we've needed to support, and we've put in place a number of other things to support entities during the COVID period. And people have done that work in quite a different environment and still kept their teams together and done a fantastic job.

Senator GALLAGHER: Just when you got that nice new building down the road everyone starts working from home!

Ms Huxtable: It's almost old now!

Ms Walsh: Perhaps I could add just one comment on the redeployment issue. The feedback from staff who had the opportunity to go—

Senator GALLAGHER: Yes, it was positive.

Ms Walsh: People were very enthusiastic and wanted to contribute. There obviously was a big purpose. But what they have come back and said about the experience they had and how much they learnt about the Australian community and society has been really positive.

Senator GALLAGHER: Yes. I'm sure there are so many positives that will come out of this in the end. I appreciate that. Thanks, Ms Walsh.

CHAIR: If there are no further questions tonight, I thank the department, witnesses, the secretariat, Broadcasting, Hansard et cetera for all your assistance today. We'll look forward to doing it all again tomorrow morning at 9 am.

Committee adjourned at 21:24