



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION
COMMITTEE

ESTIMATES

(Supplementary Budget Estimates)

TUESDAY, 1 NOVEMBER 2005

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SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE

Tuesday, 1 November 2005

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

Senators in attendance: Senator Mason (*Chair*), Senator Murray (*Deputy Chair*), Senators Abetz, Allison, Brandis, Boswell, Carr, Crossin, Evans, Faulkner, Carol Brown, Fifield, Forshaw, Minchin, Moore, Nash, Sherry, Trood and Wong

Committee met at 9.03 am

FINANCE AND ADMINISTRATION PORTFOLIO

In Attendance

Senator Minchin, Minister for Finance and Administration

Senator Abetz, Special Minister of State

Department of Finance and Administration

Executive

Dr Ian Watt, Secretary

Ms Simone Pensko, Executive Officer

General

Mr Lembit Suur, Division Manager, Industry, Education and Infrastructure Division

Mr Ian McAuley, Branch Manager, Parliamentary and Corporate Support

Mr Michael Hirschfeld, Branch Manager, Strategic Partnerships

Mr Clive Hawkins, Acting General Manager, Corporate Group

Mr Neil Skill, Corporate Group Point Person

Mr Geoff Hill, Director, Portfolio Coordination Unit

Ms Sally Hasler, Senate Estimates Coordinator

Mr Glenn Black, Portfolio Coordination Unit

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

Ms Samantha Dickinson, FeSG Point Person

Outcome 1

Mr Phil Bowen, General Manager, Budget Group

Ms John Angley, Branch Manager, Education, Science and Industry Branch

Mr John Ignatius, Acting Division Manager, Budget Policy and Coordination Division

Mr Peter Saunders, Division Manager, Government and Defence Division

Ms Jackie Wilson, Division Manager, Social Welfare Division

Mr Tim Pyne, Branch Manager, Budget Analysis Branch

Mr Mathew Fox, Branch Manager, Budget Coordination Branch

Mr Luke Stanley, Budget Group Point Person

Ms Kathryn Campbell, General Manager, Financial Management Group

Mr Jonathan Hutson, Division Manager, Financial Framework Division
Ms Anne Hazell, Division Manager, Financial Reporting and Cash Management Division
Mr Brett Kaufmann, Branch Manager, Financial Reporting Branch
Ms Leanne Yannopoulos, Branch Manager, Cash Management Branch
Mr Garry Brooke, Team Leader, Cash Management Branch
Mr Tony Olliffe, Financial Reporting Branch
Mr Phillip Prior, Division Manager, Budget Framework and Systems Division
Ms Karen Doran, Division Manager, Superannuation and Governance Division
Ms Sandra Wilson, Branch Manager, Superannuation Branch
Dr Tom Ioannou, Governance Structures Branch
Mr Rod Alfredson, Director, Evaluation and Audit Unit
Mr Michael Culhane, Branch Manager, Finance and Banking Branch
Mr Neil Robertson, Acting Branch Manager, Finance and Banking Branch
Mr Marc Mowbray-d' Arbela, Branch Manager, Legislative Review Branch
Mr Michael Loudon, Branch Manager, Procurement Branch
Mr Justin Bassi, Financial Management Point Person

Outcome 2

Mr David Yarra, Acting General Manager, Asset Management Group
Mr Robert Butterworth, Division Manager, Shareholder and Asset Sales Division
Ms Tooev Elliott, Acting Division Manager, Property and Construction Division
Mr Owen Hammond, Branch Manager, Major Projects Branch, Domestic Portfolio
Mr Mike Matthewson, Acting Branch Manager, Major Projects Branch, Immigration
Ms Stacie Hall, Branch Manager, Insurance and Risk Management Branch
Mr Robin Renwick, Branch Manager, Asset Sales Branch
Mr Philip Smith, Branch Manager, Government Businesses and Private Financing Advice Unit
Dr Guy Verney, Branch Manager, Special Claims and Land Policy Branch
Mr Guy Donald, AMG Point Person
Mr Simon Lewis, General Manager, T3 Sale Taskforce
Mr Mark Heazlett, Branch Manager, T3 Sale Taskforce
Ms Marianne King, Branch Manager, T3 Sale Taskforce
Mr John Edge, Branch Manager, T3 Sale Taskforce

Outcome 3

Ms Jan Mason, General Manager, Ministerial and Parliamentary Services
Ms Kim Clarke, Branch Manager, Entitlements Policy
Ms Carolyn Hughes, Acting Branch Manager, Client Service
Mr Ken Sweeney, National Manager, COMCAR
Mr Greg Miles, Acting Branch Manager, Entitlements Management
Mr Stephen Taylor, Branch Manager, Legal and Contracts
Ms Jennifer Blood, Branch Manager, Business Improvement and Development
Mr Greg Smith, M&PS Point Person

Outcome 4

Ms Ann Steward, General Manager, Australian Government Information Management Office

Mr Patrick Callioni, Division Manager, Australian Government Information Management Office

Mr John Grant, Special Adviser, Australian Government Information Management Office

Mr Brian Stewart, Senior Adviser, Australian Government Information Management Office

Ms Robyn Fleming, Branch Manager, Policy

Mr Tony Judge, Branch Manager, Frameworks

Mr John Lalor, Branch Manager, Service Delivery

Ms Allison Bloxham, AGIMO Point person

Australian Electoral Commission

Mr Ian Campbell, Electoral Commissioner

Mr Paul Dacey, Deputy Electoral Commissioner

Ms Barbara Davis, First Assistant Commissioner, Business Support

Ms Kathy Mitchell, Director, Funding and Disclosure

Mr Tim Pickering, First Assistant Commissioner, Electoral Operations

Ms Paula Anderson, AEC Point Person

ComSuper

Mr Leo Bator, Chief Executive Officer

Ms Michelle Crosby, Chief Finance Officer

Mr Marcus Markovic, Point Person

Public Sector Superannuation Scheme/Commonwealth Superannuation Scheme Boards

Mr Steve Gibbs, Chief Executive Officer

Ms Barbara Wilson, Finance Manager

Department of Human Services**Core Department – Output 1**

Ms Patricia Scott, Secretary of Department of Human Services

Mr Geoff Leeper, Deputy Secretary

Mr Chris Dainer, First Assistant Secretary, Senior Financial Analyst, Delivery Analysis and Corporate

Mr Alex Dolan, First Assistant Secretary, Comprehensive Work Capacity Assessment Division

Ms Perry Sperling, First Assistant Secretary, Service Delivery, Policy and Strategy

Ms Bernadette Ryan, Assistant Secretary, Marketing and Communications

Child Support Agency – Output 2

Mr Matt Miller, General Manager

Ms Sheila Bird, Deputy General Manager

Ms Alison Millett, Deputy General Manager

Mr Trevor Sutton, Deputy General Manager

CRS Australia – Output 3

Ms Margaret Carmody, Acting General Manager

Mr Carl Princehorn, Deputy General Manager, Service Delivery

Centrelink – Output 1

Mr Jeff Whalan, Chief Executive Officer

Centrelink – Outcome 1

Mr Graham Bashford, Deputy Chief Executive Officer, Customer Service Delivery

Mr Norman Walker, Acting General Manager, Customer Service Delivery

Ms Natalie Howson, General Manager, Customer Service Strategy

Ms Carolyn Hogg, Deputy Chief Executive Officer, Stakeholder Relationships

Mr Paul Conn, Acting General Manager, Employment, Disability and Education

Mr Gary Dunn, General Manager, Families, Seniors, Rural and Community

Dr Margaret Browne, General Manager, Business Integrity

Mr Gavin McCairns, Acting General Manager, Welfare to Work Taskforce

Mr Bob McDonald, General Manager, Audit and Risk

Mr John Wadeson, Chief Information Officer

Ms Louise Tucker, General Manager, IT Planning and Refresh

Mr Tuan Dao, General Manager, Core Business IT Systems

Ms Helen Skrzeczek, General Manager, Corporate IT Systems

Mr Karel Havlat, Acting Chief Financial Officer

Mr Grant Tidswell, General Manager, People and Planning

Mr Hank Jongen, General Manager, Communication

Medicare Australia – Output 1

Ms Catherine Argall, Chief Executive Officer

Ms Joanna Davidson, Deputy Chief Executive Officer

Ms Philippa Godwin, Deputy Chief Executive Officer

Ms Ellen Dunne, General Manager, Customer Services Division

Mr David Trabinger, General Manager, e-business and Development Division

Dr Janet Mould, General Manager, Program Review Division

Mr Nic van den Berg, General Manager, Information Technology Services Division

Mr Craig Dalzell, Chief Finance Officer

CHAIR (Senator Mason)—I declare open this public hearing of the Finance and Public Administration Legislation Committee. We are continuing with the supplementary hearings to the budget estimates to consider matters relating to the written answers or additional information or otherwise relating to the proposed budget expenditure referred to the committee. The agenda you have before you comprises those matters notified to the committee secretariat in writing by the close of business on 25 October 2005, three working days before today, as required by standing order 26(10). The committee has set Tuesday, 31 January 2006 as the date for the submission of written answers to questions that are taken on notice. The hearing today examines the Finance and Administration portfolio. I propose to proceed by opening with general questions and then calling on the outcomes and outputs in the order listed on the agenda.

I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public fund where any person has discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. I further remind officers that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall

be given reasonable opportunity to refer questions asked of the officer to superior officers or to the minister. Evidence given to the committee is protected by parliamentary privilege. I also remind you that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate.

I call on the Department of Finance and Administration and welcome Senator Minchin, the Minister for Finance and Administration; Dr Watt and officers. Good morning. Dr Watt or Minister, do either of you wish to make an opening statement.

Senator Minchin—No, thanks.

Dr Watt—No, thanks.

CHAIR—In that case, we will go to general questions.

Senator FAULKNER—I have four areas I would like to cover, Dr Watt. I do not think they will take long, and they are best dealt with in general questions. However, if you wish to direct me to later in the hearing, that is fine too. The first one relates to the issue that I have asked questions about before, which is Mr Early's security review. Could you very briefly tell the committee where that is up to now and whether it has been finalised or not, please.

Dr Watt—The review has been completed. We are now implementing the results of the review.

Senator FAULKNER—Did Mr Early make a formal report to you?

Dr Watt—Mr Early made a formal report to the department, from memory.

Senator FAULKNER—To the department. There was a formal report. Did it contain recommendations?

Dr Watt—Mr Early made a number of recommendations. They go to the physical security of the Department of Finance and Administration premises, IT security and broader security cultural and organisational issues.

Senator FAULKNER—You say 'a number'. Can you say how many?

Mr Suur—There was a total of 79 recommendations. They came out of three reports: Mr Early's report; a report by a company called LogicaCMG, which is a DSD endorsed company that is able to look at IT security issues; and an ASIO T4 report about physical and personnel security issues.

Senator FAULKNER—Are they effectively separate reports or has that all been amalgamated into one? Are they three stand-alone reports?

Mr Suur—They are three components of one exercise.

Senator FAULKNER—Just so we get a feel for it, how many recommendations were in each of those areas? There were 79 in total. Are you able to disaggregate that at all?

Dr Watt—We could take that on notice. From recollection, the largest component was the physical security of the building—the ASIO T4 report.

Senator FAULKNER—You do not have that available? If you do not have it available, taking it on notice would be good.

Mr Suur—No, we do not have that available.

Dr Watt—We will see if we can get you an answer this morning.

Senator FAULKNER—That has now been finalised, so you can tell us what the final cost of Mr Early's component of this review was.

Dr Watt—We can.

Mr Suur—Mr Early's component was \$51,250.

Senator FAULKNER—That blew out a bit, didn't it? Wasn't the original figure lower than that?

Mr Suur—There was an additional amount that we paid because we sought to have some extra work done. Also, the scope of the ASIO recommendations was greater than we expected so additional work needed to be done there. We also asked Mr Early to talk to the report to Finance staff, and that was a component that we had not originally planned for.

Senator FAULKNER—I might recall incorrectly, and you will no doubt quickly correct me if I do, but wasn't the original figure somewhere around the \$30,000 mark?

Mr Suur—Your recollection accords with mine.

Senator FAULKNER—And I do, of course, remember the daily rate. It took an age, didn't it, Dr Watt, to eventually get you to give that up. I have no idea why. That was \$2,050, wasn't it?

Dr Watt—We do get there in the end.

Senator FAULKNER—God knows why it took so long. Anyway, it has blown out from \$30,000 to \$50,000.

Dr Watt—I am not sure that 'blown out' is the right term.

Senator FAULKNER—What would be a better term?

Dr Watt—Mr Early undertook to do some additional work for us, including talking to Finance staff about the recommendations of his report, and that resulted in some additional time spent and some additional costs.

Senator FAULKNER—I know we have the three elements. Mr Early, Logica and ASIO T4 is what you have said. Is it Logica?

Dr Watt—That is right.

Senator FAULKNER—I think you have given us previous dollar figures in relation to Logica and ASIO T4, haven't you?

Mr Suur—I can give you precise figures on that.

Senator FAULKNER—That would be good.

Mr Suur—The ASIO T4 component was \$54,772 and the LogicaCMG component was \$55,500.

Senator FAULKNER—Thanks for that. It is still not quite clear. Is it three separate reports and recommendations, which is fair enough, or has it all been amalgamated into one?

Mr Suur—There are three separate reports, but they were brought forward at the same time. Mr Early, in finalising his report, had regard to the recommendations made by both ASIO and LogicaCMG.

Senator FAULKNER—If you could let us know where those 79 recommendations emanated from that would be good. The next issue that I want to raise is ex gratia payments. I saw some newspaper speculation that Australia had paid secret compensation to certain Iraqi civilians. The newspaper mentioned ‘secret payments to families of Iraqis killed by Australian troops’. There is nothing more or less definitive than that and no indication of whether this has happened. Dr Watt, I appreciate that you are likely to tell me at some stage to go and ask the Department of Defence. That is fair enough; I can do that. But they are just as likely to say at the end of the day that the ex gratia payment is administered by DOFA, as you can appreciate, or the decision-making process lies with DOFA. My first question is: can you confirm whether ex gratia payments have been paid by the Commonwealth in relation to compensation for the Iraq war?

Mr Yarra—We are talking about act of grace payments not ex gratia payments, which are a separate category.

Senator FAULKNER—It would have been a terrible thing if I had not been corrected. Thank you for correcting me. I stand corrected.

Senator SHERRY—If you had consulted me, I would have mentioned that to you.

Senator FAULKNER—I am not surprised that Mr Yarra knew that, but I am shocked that you knew it, so now I feel doubly humiliated. Okay, my question is in relation to act of grace payments.

Mr Yarra—Having said that, we can confirm that two act of grace payments have been made in relation to one incident in Iraq. They were approved on 24 March 2005 and subsequently paid by the Department of Defence.

Senator FAULKNER—So there were two payments for one incident?

Mr Yarra—Yes, that is my advice.

Senator FAULKNER—What was the amount of payment made? Can you say that?

Mr Yarra—I think it will appear eventually on the public record via the Department of Defence annual report.

Dr Verney—It was approximately \$7,000.

Senator FAULKNER—Is that \$7,000 times two or \$7,000 divided by two?

Dr Verney—It is \$7,000 all up.

Senator FAULKNER—For two payments?

Dr Verney—That is correct.

Senator FAULKNER—You have told us when it was paid.

Mr Yarra—On 24 March 2005.

Senator FAULKNER—Yes, that is right. Are you able to say for what reason the act of grace payments were made?

Mr Yarra—My preference, because of the sort of detail that we usually get to support the request for an act of grace, is that that is better handled by Defence. We cannot go past a certain point and then answer the following questions that would be likely to arise in relation to such an instance. My preference would be that the Department of Defence would answer such a question.

Senator FAULKNER—Who is the decision maker here?

Mr Yarra—The Department of Finance. Under the act, the minister delegated down to officials.

Senator FAULKNER—I understand the point you make about Defence. The problem—I think you would appreciate this, Dr Watt—is that Finance is the decision maker. I do not want to go to the Defence estimates and have them say, ‘They are the decision makers, not us.’ So let us make it clear.

Dr Watt—I am sure you will get a very fulsome response from the Defence estimates.

Senator FAULKNER—I do not know about that. I do not want someone to say over there that the decision makers are in Finance. Are you suggesting, Dr Watt, that it is more appropriate that the Department of Defence deal with the detail—in other words, the reasons these act of grace payments were made?

Dr Watt—That is correct. The point is that, while Finance is the decision maker, decisions are made on the recommendation of a department or a minister. In this case they were made on the recommendation of the Department of Defence.

Senator FAULKNER—Were any recommendations for act of grace payments made that were not agreed by Finance?

Dr Watt—In this particular case, no.

Senator FAULKNER—What about in the case of matters relating broadly to the Iraq war or Iraq situation?

Mr Yarra—No.

Dr Watt—No.

Senator SHERRY—But isn't it true that there are other act of grace payments made? They are signed off by—I am not sure whether it is the parliamentary secretary now. Is it the parliamentary secretary?

Dr Watt—In relation to the administration of act of grace payments, some act of grace payments are signed off by the parliamentary secretary. They are ones of a relatively high monetary value, for example, or those where the proponent of the act of grace payment has been a minister or a member of parliament. In the case of payments with a relatively low value and/or where the proponent of the payment is a department of state, both of those criteria being satisfied, the decisions are made in the department under delegation.

Senator FAULKNER—I will follow this through with Defence, on your advice, but I would ask you—I will go through the detail with them—to give us a very broad descriptor of what this act of grace payment is for. In other words, I do not want to use my terminology, I want to use yours, when I go and talk to the Department of Defence.

Dr Verney—Broadly it was for damage done accidentally to Iraqis in terms of the operations of the ADF. For the specific detail you should ask Defence.

Senator FAULKNER—I will. When you say ‘damage to Iraqis’ are we talking here about persons or property?

Dr Verney—I talked about to people, persons.

Senator FAULKNER—Persons?

Dr Verney—That is correct.

Senator FAULKNER—When you use the word ‘damage’ you make it sound like—

Dr Verney—Injured.

Senator FAULKNER—buildings. So we are talking about two act of grace payments as a result of injuries that are suffered by Iraqis, although we have not determined anything other than the fact that they are Iraqis as a result of ADF action. Is that a fair assessment?

Dr Verney—Correct.

Mr Yarra—The sum of \$7,000 was paid in relation to injuries sustained by the activities of Australians in Iraq. The case was put forward by Defence.

Senator FAULKNER—I will follow that through with the Department of Defence and I will be able to tell them that I have the strong support of Dr Watt to pursue it with them. I am sure it will impress them that I have such eminent support behind me.

Senator SHERRY—On the same issue, act of grace payments are relatively unusual—I have been involved in a process involving one person. That is correct, isn’t it? They are not commonplace in terms of the total number in a year.

Dr Verney—No.

Dr Watt—They are not the administrative norm.

Senator SHERRY—I know; they are extraordinary and unusual circumstances.

Dr Watt—There are hundreds. Dr Verney can give us the number a year. It is always a question of what is relatively unusual and what is not.

Senator SHERRY—That was going to be my next question. In the 2004-05 financial year, how many act of grace payments were there?

Dr Watt—Two. From which department—Defence?

Dr Verney—No. The total number.

Senator SHERRY—How many did Finance sign off on?

Dr Verney—In 2004-05 there were 548 claims received by the department. Thirty per cent of those were approved, 30 per cent were not and the remainder were finalised.

Senator SHERRY—Thinking about the issues I have been involved in, the time frame for processing act of grace payments can take some time. For the two that Senator Faulkner has asked about, when were the applications received? They were paid on 24 March 2005, but when were the applications received?

Mr Yarra—I think it is fair to say that we turned those around quite quickly.

Dr Verney—We turned those around within 24 hours.

Senator SHERRY—In 24 hours?

Dr Watt—A lot depends upon the nature of the claim and the amount of warning and work that has been done by the department proposing the claim to the Department of Finance and Administration.

Senator SHERRY—I understand that, but 24 hours? Coming back to the other 548 claims, I understood it was a fairly exhaustive process even within Finance. I must say that 24 hours is an extraordinarily quick time.

Dr Verney—It depends on whether the requisite information is available for the decision to be made—sometimes it has to be found and explored—as well as the sensitivity of the particular case.

Senator SHERRY—What is the average processing time for act of grace payments?

Dr Verney—There is not an average time as such.

Senator SHERRY—You have knowledge of it?

Dr Verney—Yes.

Senator SHERRY—Give me some indication.

Dr Verney—If a case is able to be documented and information is able to be found, it will be done within about 21 days. Other cases which may take longer are the second category which require additional effort and may take around 35 days. There are other cases that take an inordinate length of time because, on occasions, we have to get permission from the claimants to access information and give us the authority to use information in what we do.

Mr Butterworth—It is probably fair to say that there is not a typical case. The nature of act of grace claims is that they are all different. When significant delays occur, it is typically because we have to either ask the applicant to provide some additional information or approach the department to do further research for us. Some of those interactions have a number of rounds to them. It would not be unusual for a claim to be dealt with quickly if all the information were there. Nor would it be unusual for us to have to go back two, three or four times to gather the information that we need. It is a question of whether the information is available to make a decision.

Senator FAULKNER—Can I just interrupt; I am required elsewhere. I wanted to flag two other issues. I will not pursue them now; I just want to give you a heads-up. Is that okay, Dr Watt?

Dr Watt—Sure.

Senator FAULKNER—The first thing is that later in the day—I assume I will deal with this with corporate, but you can let me know later on—I want an explanation from the department on all protocols relating to a travelling minister.

Dr Watt—We noticed your interest in PM&C last night.

Senator FAULKNER—At this stage I am interested in the protocols that apply. I wanted to flag that for you.

Dr Watt—Sure. We can do that, Senator.

Senator FAULKNER—The second issue I would like to come back to relates to getting more of an understanding—and I do not think this is in MAPS—of whether, effectively, salary on the one hand and equipment or corporate elements on the other hand are different appropriations for support of MAPS in relation to the Government Members Secretariat. I want to explore that on a technical basis. Specifically, I want to ask you—someone might care to look at this over the next few hours, which might cut to the chase and save an awful lot of time—whether your department has lent any equipment to the GMS. There may be some background or protocol to that, I do not know.

Dr Watt—We will do our best to be prepared, Senator.

Senator FAULKNER—They are the issues I want to explore. So I will flag them and perhaps address them a little later in the day in corporate.

Senator MURRAY—Dr Watt, the latest ANAO report, No. 11, on the Senate order into commercial contracts registration has come out. It seems to me that we—I use the word ‘we’ to mean both parliament and DOFA—have made real progress because all agencies are now pretty good at listing their contracts. On another front, most seem now to be warning contractees that even though they are third parties they fall under parliamentary scrutiny from an accountability perspective. So that is good. But on a third and vital front, many agencies appear to be still just going through the motions. Contracts are being struck with confidentiality provisions that are not warranted, as assessed by the ANAO, and do not even accord with DOFA’s guidelines. This is a question we have discussed before—that is, exactly how does DOFA enforce, encourage, cajole and beat up agencies to comply with the guidelines you put out? It is an enduring problem. That is the area I want to focus on.

Dr Watt—I think it is much more in the encourage and cajole, and much less in the beat up and enforce, Senator.

Senator MURRAY—Unfortunately, I am aware of that.

Mr Hutson—We have taken a number of actions since the last time we spoke about this particular issue. The need to deal with confidentiality has now been incorporated in the Commonwealth procurement guidelines which were mandatory from 1 January 2005. The other thing we have available to us is training in Commonwealth procurement. We have recently incorporated an element of a need to appropriately consider confidentiality arrangements in the training that we provide as part of our overall procurement guidance.

Senator MURRAY—Is it just that the range and number of public service personnel dealing with contracts have not got across all the issues? If so, will training therefore correct

it? Or do you think it is something more worrying—what we might describe as a cultural or attitudinal problem?

Mr Loudon—I do not think it is a cultural issue. We think there are a significant number of officers out there undertaking procurement activities, and it is getting to that wide variety of officers at a number of levels in a number of locations. So a large department like the Department of Defence has a significant pool in which to train people. We are working with agencies, as Mr Hutson said, but we are also discussing with legal firms being able to free up contracts to ensure that the message gets through from a number of different areas. I do not think it is a cultural issue.

Senator MURRAY—I was surprised to see that PM&C, for instance, which is a senior and highly regarded body, was guilty in this area as well. You might expect it in one of the larger and more distant agencies. It is an enduring problem.

Mr Loudon—It is one where we seek constant effort. We talk regularly with the ANAO. We are doing more work in talking with the APSC in relation to training and training courses that they provide. Since the introduction of the revised procurement framework, we have had additional resources that we put into training and efforts. We would like to revisit the guidelines that were put out on confidentiality back in 2003. I think it is time for us to review those guidelines.

Senator Murray—By that do you mean you are red flagging it in a general sense?

Mr Loudon—Considering the consistency of the reports that the ANAO were putting out—the theme—it is time for us to go back and have a look at it with the ANAO and agencies and look at how we can get the message through better, can we simplify it to make it easier to understand, and what are the issues that we can enhance. We also have two booklets on this issue: the one on the listing and the one on confidentiality. So we are looking at whether we should amalgamate them into a single, more simplified guideline. We have an increased effort, but I think it is time to revisit the issue after what has now been a number of years.

Senator MURRAY—I will come back to it in the next estimates round. If you could prepare a brief for us, that would be good.

Mr Hutson—Certainly.

Senator MURRAY—Thank you.

Dr Watt—Just to finish up on what Mr Loudon was saying, we will probably have some further steps to discuss between now and then.

Senator MURRAY—Excellent. Thank you very much.

Senator SHERRY—I have some general questions on consultancies and staffing matters. Can we deal with them here, Dr Watt?

Dr Watt—Yes, Senator.

Senator SHERRY—Just briefly on consultancies, are there guidelines in place for the issuing of consultancies? I assume there is some sort of framework.

Dr Watt—Yes, there is, and they are quite comprehensive. I will get our CFO to come and tell you about them.

Senator SHERRY—I am just asking about the guideline in respect of consultancy appointments. Obviously there is something in writing that outlines the guidelines for the selection of consultancies.

Mr Staun—Yes, they are based on the PM&C guidelines.

Senator SHERRY—Can I have a copy of those?

Mr Staun—Yes, Senator.

Senator SHERRY—I will leave my questions there then.

Mr Staun—Thank you.

Senator SHERRY—I have a couple of questions in relation to staffing matters. Having looked at the annual report, I just want to clarify: in respect of the maximum performance bonus, the report outlines criteria on page 154. It says:

... performance bonuses are payable to employees who receive a performance rating of highly effective, superior or outstanding.

There is a little graph in the document that shows the proportion of people who reach that. It continues:

Those receiving a performance rating of effective do not receive a performance bonus for the cycle, but, in common with all staff who receive a satisfactory performance rating, advance one salary point.

Is one salary point one per cent, or is it some other point of salary movement?

Dr Watt—It varies depending upon the level of the salary. Mr Suur, our former head of corporate, can give you more information.

Mr Suur—The average salary point in Finance is about two per cent.

Senator SHERRY—So when the ratings are carried out—highly effective, superior or outstanding—it is an automatic increase in salary point if that rating criteria is achieved?

Mr Suur—If somebody has achieved a satisfactory rating—and we call satisfactory ‘effective’ and above—then they advance one salary point, subject to particular rules. Those rules go to things like length of service—you have to have been there for a length of time, not been employed by Finance one week before the performance ratings are given.

Dr Watt—Within our salary ranges for each level, there is also a cap beyond which you cannot automatically progress. That is usually a point about two-thirds up the salary range. So you can progress two-thirds of the way through the salary range as an EL1 by automatic progression, but you cannot progress beyond that without an explicit consideration of your remuneration by management board. In other words, we do not want someone who has been a solid, but no more, performer to automatically drift up to the top of the salary range.

Senator SHERRY—I want to be clear on this. Can the performance bonus be in addition to progression along the salary points for some people?

Mr Suur—Yes. The performance bonus is a cash payment.

Senator SHERRY—Are both included for the purposes of superannuation?

Mr Suur—No, the performance bonus does not count for superannuation purposes. It is a bonus payment.

Senator SHERRY—Does salary point count?

Mr Suur—Yes.

Senator SHERRY—Who determines the classifications in terms of effective, superior and outstanding? Presumably some sort of working group oversees this?

Mr Suur—Every Finance employee has a written performance agreement with their supervisor. That performance agreement forms the basis of a performance assessment. There are two assessments carried out during the year—one at the halfway point and one at the end of the year. That performance appraisal is then given a rating, and the executive board of the department plays a consistency checking process to ensure that all business groups have interpreted the performance ratings requirements in a consistent fashion.

Senator SHERRY—Who does this in respect of yourself, Dr Watt?

Dr Watt—I go through the same performance assessment arrangement that every portfolio secretary goes through. That involves my minister, the secretary of the Department of the Prime Minister and Cabinet, the Australian Public Service Commissioner and, ultimately, a decision made by the Prime Minister.

Senator SHERRY—I want to go to staff turnover. Page 155 of the annual report states the percentage of voluntary separations by ongoing employees in 2004-05 was 22 per cent, which is up fairly considerably from 16 per cent in 2003-04. In fact, if you look at the trend line, in 2002-03 it was 12 per cent. What is the explanation for the increase in voluntary separations? It seems to me to be a fairly reasonable increase.

Dr Watt—It is a large increase. It is a disappointing increase, because one of the objectives that the executive board and I have in the department of finance is to slow down, to reduce, the rate of turnover in the department. We are always going to lose people. We recruit good people. In many of the areas they come into, particularly the budget area or the financial management group, for example, the training they get makes them even more valuable than they were to other parts of the APS. We would like to keep them longer. It is a disappointing result. Mr Suur might be able to give you some information on the specific causes of the turnover, and I can help.

Mr Suur—We have sought some information about the reasons for our increasing staff turnover. In October last year we launched an exit program, which involved an exit questionnaire and the option for people to participate in a formal exit interview. As at the end of last month, 113 questionnaires had been completed and 49 exit interviews had been conducted. They told us that the major reason for people leaving Finance was to transfer to another APS agency and that they tended to do this for career reasons. To the extent that there were push factors, in Finance those push factors had to do with the pressure of work in the department.

Senator SHERRY—Before we get to the pressure of work, were any other reasons given?

Mr Suur—There were numerous reasons given, including people wanting to increase the breadth of their experience, concerns about people management in the department and concerns about remuneration in the department—although that as a concern has fallen off as we have reformed our remuneration system. There is a long list.

Senator SHERRY—Let us come back to the major issue that was identified, which you described as pressure of work. Is there then a follow-through to identify whether there are particular areas within the department where the turnover is greater than others, above average?

Mr Suur—Yes.

Senator SHERRY—How is that done?

Mr Suur—We monitor exits by business group.

Senator SHERRY—Obviously you have statistics by business group, then, on turnover and exit rates.

Dr Watt—Yes, we do.

Senator SHERRY—I do not want the figures now, but can you provide on notice a copy of the detail of that analysis? When you have done it by business group do you then identify—and let us take the issue of pressure of work, which was the major reason given—whether there are particular circumstances within a business group, such as management style? Do you attempt to identify issues to do with that?

Mr Suur—We conduct a biennial staff attitude survey and we explore a large range of issues in that survey to determine what people think about Finance as a place to work and what they think about their role as an employee. A staff attitude survey was conducted last year, where similar issues were identified as have been identified in the exit interviews. As a result of that, the secretary formed four working groups to look at particular issues. One of those particular issues was staff turnover. That working group did a lot of follow-up research and made a series of recommendations to the executive board of the department which have since been taken up.

Senator SHERRY—What were those recommendations?

Mr Suur—Those recommendations were about how we can more effectively use time off in lieu arrangements. They went to the issue of whether or not Finance should mirror the broad practice in the rest of the APS and have a Christmas close-down. They also went to whether or not, in particular circumstances where we know that time off in lieu cannot be used effectively—and one of those circumstances could be where there are major projects where you know that over three, four or five months people are working very hard and do not have an opportunity to utilise time off in lieu in a timely fashion—we should give those people in those projects supplementary leave.

Senator SHERRY—Have any new initiatives been implemented for counselling—and I hesitate to use that word—or for staff support initiatives of a counselling, medical or recreational type?

Mr Suur—The most effective way in which staff can be supported is by effective management by their line managers, and we have been working very hard to enable people to effectively manage issues like work pressure.

Senator SHERRY—My specific question was: have you brought in any private consultants or do you refer people for specific purposes?

Mr Suur—We have an Employee Assistance Program, like most other departments and agencies do. It is a counselling service. It is available to employees and their family members. People can access that service on a confidential basis.

Senator SHERRY—Coming back to the issue of management, have any difficulties or issues been identified with respect to management oversight that has contributed to pressure of work issues?

Mr Suur—We have sought to do two things. We have sought to empower managers and give them the authority, and give them written authority, to deal with work pressures more effectively, and we have sought to create an environment where employees have a voice. I believe our initiatives in these areas will ensure that, across the department on matters like excessive working hours or long working hours, both employees and their managers are empowered to deal with that issue effectively and locally.

Senator SHERRY—Yes, but that is often the problem. I am not going to go to individual names, but are there any cases where the empowerment, for example, of a manager has not been exercised in the judgment in a reasonable way that has contributed to the pressure of work factor?

Mr Suur—I think it is fair to say that the quality of people management across the department is a mixed bag. Some people are better at it than others. It is our responsibility as senior managers to ensure that those inconsistencies are dealt with and that we have in place an overarching system that eliminates those inconsistencies. Part of that is by, as an executive board, playing a watching brief on this kind of issue.

Senator SHERRY—I take it that that is a yes. There are examples where management style needs to be tempered, shall I say?

Mr Suur—I do not know that there are specific examples.

Senator SHERRY—You referred to a mixed bag and inconsistencies in a fairly generalised way, but you seem to be saying yes to my specific question.

Dr Watt—I do not think Mr Suur was saying yes.

Senator SHERRY—What was he saying then?

Mr Suur—I said what I said.

Senator SHERRY—Let me go back to the question then. I prefaced my question by saying that I am not going to go to individual names, because I think you probably understand by now that that has not been my style, except in fairly extraordinary circumstances. Are there examples where, in terms of this pressure of work factor, the management style has contributed to the pressure of work factor on employees?

Mr Suur—I am not in a position to comment on that. I cannot think of any instance where we have had a discussion of that type or have had to deal with an issue of that type.

Senator SHERRY—Are you sure that is right?

Mr Suur—I am.

Senator SHERRY—Then I might have to come back with some specific examples at another hearing if you maintain that that is correct. What you are saying to me is that no-one at management level has been counselled about a management style that has contributed to pressure of work and that has led, in part or wholly, to people leaving the department. Is there no-one?

Mr Suur—I am not in a position to answer that question because I am a line manager in a particular area. Certainly, in my area, that has not happened. As general manager of corporate group, I am not aware of that having happened.

Senator SHERRY—That is a different answer, significantly clarified from the earlier answer.

Dr Watt—Perhaps I can answer the question. I am not aware, sitting here now, of any SES officer being counselled along these lines. That is not to say that all managers are SES officers—they are not. But I am not aware of any SES officer being counselled along these lines. I would assume that, if it was significant, that would be raised with me as secretary or me as a member of the executive board.

Senator SHERRY—I would hope so, but because of reports I have received—and, as I said, I am not going to name names—I looked at the significant increase in staff voluntary separations. It has gone from 16 per cent to 22 per cent, or from 12 per cent to 22 per cent, over two years. That is almost double. You yourself acknowledged it. My understanding is that there has been an issue around the style of management in some cases. That is my understanding. But you are not aware of that?

Dr Watt—I am not aware of that. Perhaps I will answer this way. People have different management styles. I am aware that I have managers of a variety of styles. That is not an issue. That is human nature. I am not aware of any of them having been counselled about their management style leading to turnover.

Senator SHERRY—I am aware that managers have different styles as well. It is when the down consequences of that perhaps exceed the up consequences of that. It seems to me that, in part at least, the significant increase in voluntary separations—and this is my understanding, at least in some cases; I am not generalising—is a consequence of some management style problems.

Dr Watt—Sitting here now, I cannot rule that out. But, as I said, I am not aware of it. I would expect to be aware of it or at least I believe I would be aware of it if it were an SES officer. We do have EL1s, EL2s and even APS6s who manage substantial teams. I would not necessarily be aware if there was an issue at that level. It would be less likely.

Senator SHERRY—I asked for the turnover rates within workgroups. Could I also have the turnover rates within SES levels on notice?

Dr Watt—Yes.

Mr Suur—On that staff turnover issue, there is one point that I would like to make. There are a range of factors why particular organisations have varying staff turnover rates. One of the things you need to remember about Finance is that, as a central agency, we develop people who are broadly attractive across the APS and who represent a good recruitment opportunity for other APS agencies. Our people are sought actively by other departments and agencies in the Australian Public Service. The other point I want to make is that 39 per cent of our ongoing work force is under the age of 35 as opposed to about 30 per cent in the rest of the APS. It is at those younger age levels and more junior levels that people are particularly attractive and portable in the APS. So there are demographic factors and situational factors that, of their very nature, lead us, I think, always to have a higher turnover.

Senator SHERRY—Not always, I do not think. I understand that would be a contributing factor. But I get concerned because I remember the previous regime in Finance and the litany of complaints and problems that resulted in respect of staff turnover. I do not have the figures in front of me—they go back to 1988 and 1989—but I think the previous figures were probably higher than 18 per cent. The trend was down—let us put it that way. I do not have a very high opinion of the previous leadership and some of the consequences of that. But the turnover was trending down, and significantly downwards, over time, which is a good thing. Then it suddenly increased again significantly in the last two years.

Dr Watt—We are not comfortable with the turnover rate. We were not comfortable with 18 per cent. We are particularly uncomfortable with where it has got to at the moment. Are we working to address it? Yes. As Mr Suur said, we put a number of initiatives in place recently in relation to leave, time off in lieu and that sort of thing, all of which are designed to take away one of the pressures we understand that our people feel, and that is that they are required, to do their job, to work long hours and often for long periods of time. This was a way of trying to provide some compensation. Will we continue to work on it? Yes, we will, because it is not in my interest as the secretary of the organisation to have a high turnover rate. And we will go on working on it until we get a solution.

Senator SHERRY—And I will go on questioning about it.

Dr Watt—In relation to management issues, the other thing we have done—and we have attempted this in the last two or three years—is that we now have a training program which gives some management and leadership training to all levels of the SES and we are now starting on our EL2s. These things we did not have before.

Senator SHERRY—I will leave the issue there for today. I have a final point on staffing. There is a very high proportion of AWAs: the stats show 1,085 of the staffing arrangements out of 1,097. That is very high proportion. What is the explanation for that?

Mr Suur—We prefer to engage people under Australian workplace agreements.

Senator SHERRY—That is your preference?

Mr Suur—Yes.

Senator SHERRY—How is that expressed?

Mr Suur—In discussions like this, Senator. But also in our advertisements—

Senator SHERRY—‘It will be an AWA’?

Mr Suur—No, we do not say that. We say that—

Senator SHERRY—What do you say?

Mr Suur—we will offer people an Australian workplace agreement. They can choose to take it or not.

Senator SHERRY—But do you offer anything other than an AWA?

Mr Suur—We have a certified agreement in place.

Senator SHERRY—But, certainly with respect to staff turnover, the claimed greater flexibility of AWAs does not seem to be working, does it?

Mr Suur—I do not know that that is a correlation that I would draw.

Senator SHERRY—It is a correlation, nevertheless.

Mr Suur—I do not know that that is true. I have not got the numbers in front of me for AWAs, but I can tell you that for the last three or four years, not for the last two when the trend has gone upwards in staff turnover, we have had, roughly, in excess of 90 per cent of Finance staff on Australian workplace agreements.

Senator SHERRY—It looks like it is higher than 90 per cent, according to these stats.

Mr Suur—I am talking about the last three or four years. So that dip that you were talking about before, when our staff turnover went down, coincided with a very high level of staff on Australian workplace agreements.

Dr Watt—In the last three or four years we have had in excess of 90 per cent on AWAs and for the last two or three we have had probably 96, 97 or 98 per cent.

Senator SHERRY—It is certainly closer to 98, I would have thought, looking at these stats.

Mr Suur—As I said, we conduct exit interviews. In those exit interviews no staff member has pointed to an Australian workplace agreement as the reason they are leaving the organisation.

Senator SHERRY—I have some questions on the Future Fund. There is obviously the Future Fund management authority coming up a little later.

Dr Watt—It does not exist yet. We do not have legislation for the fund.

Senator SHERRY—I know. I just want to clarify—

Dr Watt—I think we would be better off to handle them here and now.

Senator SHERRY—Okay. This is a question to the minister initially. Has Mr Murray been approached to head the Future Fund?

Senator Minchin—The government hopes to be able to make an announcement about the chairman of the Future Fund board imminently, but I am not going to add to, subtract from or make any comment on speculation about who that might be.

Senator SHERRY—So you cannot confirm the stories that he has been approached?

Senator Minchin—I am not going to comment on any names you may put to me about who might or might not be chairman or members of the board of the Future Fund, I am sorry.

Senator SHERRY—It is a strong tip.

Senator Minchin—I have seen the speculation in the media, but I am not going to comment and have not commented on it.

Senator SHERRY—You say ‘imminent’. What is imminent?

Senator Minchin—It is a matter for the Treasurer and I to take a recommendation to the cabinet and I hope the cabinet will deal with our recommendation very soon.

Senator SHERRY—What is ‘very soon’—this month, by the end of this year?

Senator Minchin—I hope it will be this month, but it is a matter for the cabinet agenda.

Senator SHERRY—That is the chair. Where is the issue of the other members of the board at? Whatever the management authority is called.

Senator Minchin—We want to have an announcement made about the chairman. Then, quite properly, we will discuss with that chairman the composition of the board. The board will be appointed by the government, but obviously we will take proper and due cognisance of the views of the chairman in putting that board together in terms of the skill sets that are required. So we have not progressed that. We are grateful for the number of Australians volunteering their services for this board. It seems to have attracted a lot of interest. Certainly, there is a cast.

Senator SHERRY—Let us deal with the process. You say you are grateful for the number of Australians who have volunteered. Has there been any advertising yet or process undertaken—

Senator Minchin—No, we have not needed to advertise.

Senator SHERRY—You have not needed to advertise?

Senator Minchin—No. I am not sure that we have agreed on a number. The Treasurer and I have obviously had discussions about the sorts of people—the skill sets—who are needed. One of the most critical issues is avoiding the reality or appearance of conflict—all those sorts of things. So we have given it a lot of thought, but we want to discuss the names in some detail with the chairman when the chairman is determined by cabinet. As I said, we still have not got the legislation to establish the board, so this is premature. But we want to be in a position to announce a board as soon as we can.

Senator SHERRY—Let us put aside the personalities for the moment. Where has the legislation progressed to?

Ms Doran—The main responsibility for the implementation of the Future Fund was given to Treasury. They have set up an implementation team there. Finance does have some staff seconded to that team. That team has been advancing with the development of the legislation and most importantly the investment mandate, which is an important part of that legislation.

Senator SHERRY—I am perfectly happy to go to Treasury with questions in this area, but I do not want to get fobbed off by them saying, ‘go back to Finance’ with some aspects of

this. I am aware the implementation team is in Treasury. At what point in time does responsibility pass to the Department of Finance and Administration? Will that be once the agency is set up and operating and has staff and a chair?

Ms Doran—There will be a number of triggers, all of which will have to have happened before responsibility fully passes over. Obviously, we will take responsibility for the establishment of the agency. We have already started some preliminary work in that respect. Before—

Senator SHERRY—Just before you go on, what preliminary work have you started in respect to the establishment?

Ms Doran—Just considering the early forms that that agency might take and the early infrastructure that will need to have in place for it to be able to commence as soon as possible after the board has—

Senator SHERRY—By infrastructure, what do you mean?

Ms Doran—IT systems—

Senator SHERRY—Buildings.

Ms Doran—buildings, telephone systems—the basics to be able to operate.

Senator SHERRY—In respect of buildings, for example, what city are the buildings being considered for? Is it going to be in Sydney?

Ms Doran—That is a decision that has not yet been taken.

Senator SHERRY—Can the minister enlighten me on that? Has a decision been taken about location?

Senator Minchin—No. The Treasurer and I have discussed it. We will make an announcement in due course. It is pretty obvious that the choices are Sydney, Melbourne or Canberra. There would be a preference for having the agency close to the market, so I suspect—

Senator SHERRY—But do you think that is necessary. I would not put forward Tasmania, for example. I am a realist.

Senator Minchin—And I am not putting forward Adelaide!

CHAIR—I think Brisbane is a good idea!

Senator SHERRY—That was going to be my next question to the minister. Do they have to be in Sydney?

Senator Minchin—They could be in Melbourne. Most of the super funds are in Melbourne.

Senator SHERRY—The majority of super funds are there.

Senator Minchin—So there is a good argument for Melbourne but there are equally good ones for Sydney.

Senator SHERRY—There are some super funds in Brisbane.

Senator Minchin—Again, we will be wanting to discuss this with the chairman, when the chairman has been confirmed. Presuming we have confidence in the calibre of the person that we propose as chairman, we will take cognisance of that person's views. I think it is logical that it be in one of those three cities. You could have it in Canberra, but I suspect that, if we want this to be a market-oriented fund to attract the right calibre of people, it will need very competent staff. There are good arguments for Sydney or Melbourne.

Senator SHERRY—But just to take up that point, if you look at the performance of the CSS and PSS, performing similar roles—I would argue that they are identical, but we will put that issue aside—you could not criticise their overall investment performance from Canberra, which would lead me to argue that you could almost locate it anywhere in Australia.

Senator Minchin—With modern telecommunications, I think that is a reasonable point for you to assert, but—

Senator SHERRY—In the case of the PSS and CSS, the fund managers literally dash on the plane down to Canberra and lay out their wares. It does not seem to be an impediment to successful rates of return, does it?

Senator Minchin—We are weighing all of those things up. My initial thinking, based on the same process—that the CSS and PSS operate quite well in Canberra—was that you could have it in Canberra. On the other hand, there are good arguments about the scale of this fund, which will be very substantial, and the skills required in the agency which may only be possible to attract if it is in Sydney or Melbourne.

Senator SHERRY—Yes, but conversely—

Senator Minchin—We have not made a final decision on this.

Senator SHERRY—I am just trying to broaden the horizon a bit. There would be some advantage, for example, in locating them in a regional centre. Do not look so sceptical, Senator Minchin. There are very successful superannuation funds that operate in Hobart, Perth, Adelaide, Brisbane and even outside those cities. I may be advancing the cause of Adelaide to the detriment of Tasmania. There are quality of life issues as well. Brisbane—

CHAIR—The Gold Coast?

Senator SHERRY—I would not go that far. I urge you to be a little broader in your horizons, even if it ends up in Adelaide.

Senator Minchin—I will take due note of your views on that subject. No doubt there will be cabinet ministers who will all have strong views about where it should go too.

Senator SHERRY—I am sure. You are not going to get a critical press release from me on location, obviously, given what I have just said, but I do not see it as an insuperable barrier to performance.

Senator Minchin—In theory, in a country like this with the sort of communications we have now—you live in a regional city; so do I—of course it is possible to locate it in almost any one of Australia's capital cities. I am happy to say here that our thinking is inclined towards Sydney, Melbourne or Canberra, but we have not made a final decision on that.

Dr Watt—If memory serves me correctly, CSS and PSS do have a Sydney office. They run the investment side of the organisation out of the Sydney office. Whether that sets a precedent for being in or out of Canberra, I will leave to others to work out.

Senator SHERRY—I will put in a bid for Devonport or Burnie in Tasmania. I think the chair should take up the cause of—

Senator Minchin—He wants the Gold Coast!

Dr Watt—In terms of the fund passing to Finance from Treasury, I think the thought was that the fund would pass when we had legislation through, when we had a chair and when we had the initial injection of cash into the fund.

Senator SHERRY—I assume that the technical legal trigger point would be the legislation being proclaimed, then bang—

Dr Watt—I think you can then clearly say that, in a sense, development is over, it is implemented and we are getting on and working with it.

Senator SHERRY—Coming back to the engagement of the board and the chair, is there to be a formal advertising process, Minister?

Senator Minchin—I think that is unlikely. We do not advertise for the Australia Post board or the Telstra board. I doubt that we would be advertising.

Senator SHERRY—And you think at this stage that issues with respect to investment, mandate et cetera are for Treasury?

Ms Doran—I think that is right.

Senator SHERRY—Will you let Treasury know that I intend to—

Ms Doran—Treasury are very aware.

Dr Watt—I imagine they are watching.

Senator SHERRY—I am sure they are watching. The Treasury evil eye—all omnipresent. I have a couple of pages of questions. I suspect Treasury will get the bulk of them. There is a finance issue as well. The government initially committed an accumulated surplus of around \$16 billion to the fund for seed capital and, once the 2004-05 budget surplus is realised, the funds will be invested in a range of financial assets. What point are we at in determining the initial seed capital?

Senator Minchin—That matter has not advanced beyond the original announcement, which was that our inclination was that there be an initial investment of some \$16 billion. I guess we will make a final determination on that when the legislation is through and the fund is established. We have not worked beyond that.

Senator SHERRY—But, as I understood it, thinking back to the announcement, the seed capital was contingent on budget surplus to a significant degree, for obvious reasons. The final budget outcome for 2004-05 was a cash surplus of \$13.6 billion, which is \$4.5 billion more—and there is a set of other issues with respect to that which I will get to later. So we now know that the projected cash surplus at budget time is achieved. It would seem to me that the \$16 billion which was announced is highly likely as a minimum for the seed capital.

Senator Minchin—I think it is reasonable for you to presume that. All I am saying is that we have not formally, as a matter of making decisions, gone beyond that initial announcement and will not until we have a fund and a board and an agency established to administer the fund. I would not contradict your presumptions.

Senator SHERRY—There is one other thing, and then I will take the rest of the questions to Treasury on this. You said earlier, Minister, that there had been significant interest. How has that interest been expressed? Have you received letters or emails? I am sure you have been lobbied one to one, and I will not go to that as that is a personal issue. Have you received correspondence from people applying?

Senator Minchin—Sure. For the variety of boards and authorities for which we in government are responsible, civic-minded Australians are keen to let ministers know of their willingness to serve on these bodies—and we appreciate that enthusiasm. In this case, the Future Fund has attracted a lot of interest and a lot of support in the wider business community in particular. It is not unusual for me to attend business functions and have—

Senator SHERRY—I do not doubt the interest, but I am not so sure that the level of support in the business community is quite as you would claim it to be in terms of the concept—but we can debate that at another time.

Senator Minchin—But certainly we are not restricting our consideration merely to those who have approached us, obviously. As you would normally do, we are establishing within the government the size of the board, the skills we would want on it and issues about where we believe there would be conflicts that need to be eliminated. We have eliminated certain classes of persons. Then we will go through a process of determining who we believe is best capable of filling those roles and the cabinet will appoint the board. We will have available to us the broad knowledge of the community and the input of the chairman. We will have the advantage, as I said, of a number of significant Australians who have indicated their desire to be considered.

Senator SHERRY—You have made it clear that it will be a cabinet decision in terms of the head and the board members. What about the issue of determining remuneration of board members, including the chair? Will that be done in the customary way—through the remuneration tribunal?

Senator Minchin—Yes.

Senator SHERRY—You mentioned eliminating certain classes of persons. What are your criteria for eliminating them? Obviously, Labor Party membership would head the list, but—

Senator Minchin—Not necessarily.

Senator BOSWELL—It is a broad church.

Senator SHERRY—I have not seen much evidence of it. In this case—

Senator Minchin—Are you volunteering, Senator Sherry?

Senator SHERRY—No, I am not. I was just going to say that, in this case, I am sure that the No. 2 criterion for elimination would be National Party membership. You have to be very

careful with them on something like this! I am sorry, Ron. Do you have a list of criteria for elimination of persons?

Senator Minchin—What I meant was that, as part of our internal discussion, we obviously have to think through carefully both the reality and appearance of conflict of interest. As we refine that, it will no doubt mean that there may well be certain persons with current positions or occupations who could not be considered because of the appearance and/or reality of a conflict—that is all.

Senator SHERRY—Just on that issue, it is going to be difficult, isn't it, because, given the likelihood of the Future Fund investing in very broad sections of the Australian community and through, I assume, tendered funds management arrangements, for a person actively working in that sector a perceived possible real conflict of interest would be likely to occur, wouldn't it?

Senator Minchin—You are right—that is the issue we have to wrestle with. We do not want to go so far as to eliminate entirely a whole field of talented Australians, but, on the other hand, we have to be very conscious of avoiding undue appearances of conflict.

Senator SHERRY—I think perhaps you should put National Party elimination up to No. 1 and Labor Party at No. 2.

Senator Minchin—Thank you for that advice.

Senator MURRAY—Obviously, a lot of the interest is on how it is going to be constructed, but I want to put questions to you on what thought you are giving to how it is going to be run, and not just in the way that Senator Sherry was referring to—namely, those with executive and board responsibilities. The Future Fund, by virtue of its size, will or could have potential influence on the market.

As you know, I have for a very long time—long before I came into parliament—had a great interest in corporate governance. One of the great issues for me has always been that funds should exercise their fiduciary duty and vote in matters of concern to unit holders or shareholders or whatever responsibilities they reflect. I am wondering whether DOFA and you, Minister, are giving attention to what the voting policy of the Future Fund will be. There has been a great debate in this area. Substantial numbers of funds have failed to vote in key areas and that has been much criticised. I think that area of responsible action, if you like, in the market and being a leader in ethical and good corporate governance involvement is a significant and material issue. With that introduction, my question is: are you now turning your minds to that sort of area or will you?

Senator Minchin—Yes, we are, and it has been discussed with the prospective chairman of the fund. I share your concern about it; I think it is quite a serious issue. One of the initial decisions to make on this is the extent of any holding which the fund might have in any particular company, the question of whether we set limits on holdings in particular companies, and then whether it is a matter for the board to exercise votes attached to those shares. Our inclination is that we want this to be and to be seen to be a very responsible, very talented, highly skilled and, most importantly, independent board. Therefore, the preliminary thing is that it is a matter for the board. We would certainly not direct it one way or the other on any particular vote, but the question of the exercise of the vote would be a matter for the board. I

would be interested in your views on this subject. We will be setting this up in such a way as to ensure that we can proudly proclaim the independence of this board. This bears on that question. So that is our preliminary thinking.

Senator MURRAY—My view is that, yes, the board should be independent because you do not want to be seen to have political influences on the market. That is, I think, a good starting point. But the question for you would be instructing the board to ensure they have a policy that takes into account the requirement for them to be responsible and ethical leaders in active market involvement on key and substantial issues. So, to me, that is corporate governance and it is ensuring they exercise their vote on material and substantive resolutions for companies, such as the election of directors, changes to the constitution, remuneration of directors, significant strategic matters and so on. It is ensuring that they do not, because the assumed political link to the government of the day, then withdraw to a hands-off basis. Do you see what I am saying to you?

Senator Minchin—Yes.

Senator MURRAY—I think they should be active participants, not inactive participants, whilst they should be independent. As you know, I have a serious professional interest and I am more than happy to discuss this in greater detail with your advisers if they want to talk to me on it.

Senator Minchin—We will follow up on that. Our key criterion is to establish, in an unqualified fashion, the independence of the board. I share your view that they are not to avoid their responsibility to exercise the votes that pertain to certain shareholdings on critical issues, but, on the question of whether we formalise that, I would not want to do that in such a way as to impinge on the appearance and reality of independence. Certainly, the board needs to establish a policy on the matter and a published policy on how it is intending to operate. That is still a matter we have not finalised.

Senator MURRAY—My fear is the reverse of some other fears. My fear is that the independent board would not want to be seen as market participants, because of a supposed political connection. I think there must be market participation, but on an objective and a responsible basis.

Senator Minchin—Yes, to the extent that the board is and is seen to be quite independent of government, it would be able to exercise its voting rights without concern about allegations of being influenced. One goes with the other. But, again, we have not finalised our thinking on this. I will get the department to follow it up with you.

Senator MURRAY—Minister, you are probably aware that I have long been a member—nearly 10 years—of the Joint Standing Committee on Corporations and Financial Services, which has produced a number of reports and done considerable work in this area. If I may say so, that is always good reference material for your advisers.

Senator Minchin—We will follow that up. Thank you.

Senator BOSWELL—I would like to ask questions about Comcar.

Dr Watt—While the witnesses are assembling, I would like to correct some evidence about the act of grace payment given by Dr Verney this morning in relation to questions from

Senator Faulkner. Dr Verney said he thought the total figure was \$7,000; in fact, the correct total figure is \$10,240.

CHAIR—Thank you very much.

Senator BOSWELL—How many Comcars do we run?

Mr Suur—If you are asking about how many cars there are in the Commonwealth's fleet in general, rather than just Comcars, there are 7,473 leased vehicles. That includes vehicles in the Comcar fleet. There are 5,300 vehicles that are owned by the Department of Defence. Most of those are light commercial vehicles. They are fleet managed under the contract that the Australian government has with LeasePlan Australia.

Senator BOSWELL—That is about 12,000 vehicles. That is the total number of cars of any description.

Mr Suur—That is right.

Senator BOSWELL—The Prime Minister has taken the initiative to direct that the Commonwealth fleet of cars be encouraged to use E10 where possible. Could you tell me what steps your department has made to see that that is carried forward?

Mr Suur—We did an assessment of the mix of vehicles that we lease and own. Our judgment is that over 80 per cent of the vehicles that are leased or owned by the Commonwealth can use E10 fuel. The majority of the fuel that is used by the government fleet is sourced from major fuel suppliers. None of them retail E10 nationally. However, BP has an E10 trial in parts of Queensland, and Caltex, Ampol and Bogas retail E10 at about 40 sites in North Queensland and country New South Wales. We have started talking to the major fuel suppliers. They are extending their supply of E10 fuel. For example, yesterday Minister Macfarlane launched the retailing of E10 fuel by BP at three sites in the ACT.

Senator BOSWELL—Yes; I was there.

Mr Suur—In addition, we have started discussions with United Petroleum Pty Ltd, a large independent fuel supplier. They have a comparatively broad network of outlets that retail E10 fuel. So we are talking to United about the supply of E10 to the government fleet in South Australia, Victoria, New South Wales, Queensland and the Australian Capital Territory.

Senator BOSWELL—Have you instructed or asked the drivers to use E10 where possible? Have instructions gone forth?

Mr Suur—There has been information released by the fleet managers about the government's decision and it encourages people to use E10 where possible.

Senator BOSWELL—What measures are there to ensure compliance? What directions have you given? Is there an instruction to use E10, or to use E10 if you feel like it?

Mr Suur—At this stage it is a bit hard to mandate the use of E10 when it is not widely available. It is fortuitous whether or not somebody pulls up at a service station which accepts a Commonwealth government fuel card that might also sell E10 fuel. We certainly encourage people to use E10, and when the supply of E10 fuel is sorted out and when we can establish wide availability of it then we will consider what steps we need to take to give substance to our encouragement of E10 fuel.

Senator BOSWELL—How will you monitor it? How would you monitor whether people are using E10?

Mr Suur—Under the fleet contract in relation to each government vehicle there is a monthly fuel report which shows where the fuel was bought and what type of fuel was bought, so the monitoring will take place through that monthly invoicing system.

Senator BOSWELL—Have you made any changes to the fuel cards? Will the fuel cards accommodate the use of E10?

Mr Suur—The fuel cards do accommodate the use of E10 where it is available. But as I said, at the moment, of the major fuel retailers, it is really only BP that is working to make E10 more widely available.

Senator BOSWELL—E10 is readily available just about anywhere in Queensland. How many cars have you got in the various states? How is the fleet broken up?

Mr Suur—I do not have that information with me, Senator.

Dr Watt—We may be able to get that for you, Senator.

Senator BOSWELL—So there is a general directive that fleets in all federal departments will use E10 where possible?

Dr Watt—That is the Prime Minister's policy announcement. It is not a directive; it is the Prime Minister's announcement.

Senator BOSWELL—I know that it is the Prime Minister's announcement. How was that carried out? How does the Prime Minister's announcement become a fact in Commonwealth fleets?

Dr Watt—We sent out some notices to the various departments and agencies that access the fleet arrangements.

Senator BOSWELL—They tried this in Queensland. They put out a directive in Queensland for the Queensland fleet and no-one took much notice of it. Then the Premier came down pretty heavily and it started to bite. Probably hundreds of notices go out but I would have thought that you needed some directive rather than a notice going out that you will use E10 where it is available.

Senator Minchin—The government's decision, as I recall, was that users of government vehicles would be encouraged to use E10 where possible. It did not take the form of a directive. It was a decision that users of Commonwealth vehicles would be encouraged to use it. You are quite right: it is a responsibility of the relevant departments to encourage users of Commonwealth vehicles to use it where possible but it would be beyond the brief to direct anybody to use it.

Senator BOSWELL—I am trying to avoid what happened in Queensland where they were encouraged to use it and took absolutely no notice of the encouragement until the Premier more or less said that they would do it and then they did do it. I am trying to avoid the first process to get to the second process.

Dr Watt—I think the point that Mr Suur made was that it is rather hard to expect a great deal of E10 usage until we have access to the fuel, which is what we are trying to work on now.

Senator BOSWELL—And I will make the point again that E10 is available just about everywhere in Queensland. Do you have a particular contract or can your drivers go to a Caltex station, a BP station or any particular station?

Mr Suur—There is a preferred fuel supplier for LeasePlan but holders of particular types of leases can get additional fuel cards. So we are not constrained to one supplier. Indeed, our discussions with United Petroleum show that we are open to looking at alternative sources of fuel supply when they can supply the type of fuel that we want.

Senator NASH—I have two quick questions. Do you know how many sites United Petroleum currently have?

Mr Suur—I do not have that information.

Senator NASH—Could you get that for me?

Dr Watt—We can get that for you.

Senator NASH—It would be quite useful to know how many outlets they have. Does the department have a list of sites around the country where service stations are currently offering E10?

Mr Suur—I do not know that we would have that information. We can check with LeasePlan to see whether they do. I imagine that that sort of information would be held by individual fuel supply companies.

Senator NASH—I would imagine that that would not be very difficult to put together, though. Perhaps it would be useful for drivers to have that information so that they would know where E10 was available.

Mr Suur—We will pursue that idea.

Proceedings suspended from 10.36 am to 10.52 am

CHAIR—I call the committee to order.

Mr Suur—I have some answers to some matters that were raised in the previous session.

CHAIR—Before you do that, can I advise everyone that we will break for lunch at about 12.30 because I have an engagement at that time.

Dr Watt—Are we stopping for the Cup?

CHAIR—Yes, we are. We will stop for the Cup just before three o'clock.

Senator SHERRY—And I hope everyone in your department is allowed to stop for it too, Dr Watt. Staff morale!

Dr Watt—I think you can guarantee that, with most of the SES up here, everyone will stop!

CHAIR—I promise we will do that, Dr Watt. Mr Suur, you have some information.

Mr Suur—In the previous session Senator Faulkner asked for a breakdown of the 79 recommendations that were made in relation to the Finance security review. The breakdown is as follows: 46 of those recommendations came from ASIO T4; 15 came from LogicaCMG; and 18 of them were contained in Mr Early's report, of which 14 were recommendations that were formulated by our internal audit people as a result of some of things that they looked at from Mr Early.

Senator Boswell asked about the distribution of the Commonwealth government car fleet by state and territory. I can tell you that the distribution is as follows: 26 per cent of vehicles are located in New South Wales; 20 per cent of vehicles are located in Victoria; 20 per cent of vehicles are located in the ACT; 16 per cent of vehicles are located in Queensland; eight per cent of vehicles are located in Western Australia; five per cent of vehicles are located in South Australia; three per cent of vehicles are located in the Northern Territory; and two per cent of vehicles—I am disappointed to report, Senator Sherry—are located in Tasmania.

Senator BOSWELL—That is an indictment on your representation, I would have thought.

Mr Suur—Would you like me to read those numbers again?

Senator BOSWELL—No. I just wanted to get something on the record. I asked Dr Watt this outside: could he tell me what measures are in place to ensure compliance with the—and I will not say 'directive' because I will offend Senator Minchin—Prime Minister's wish? How do you intend to put in a compliance regime?

Dr Watt—Let me pass to Mr Suur for that.

Mr Suur—As I said, we are in the early stages. We do not have a compliance regime in place. We have ways to monitor the use of E10 fuel. Interestingly, as we adjourned last night I was told that the Commonwealth fleet monitoring body sent out an advice on the use of ethanol blended fuel in the Commonwealth fleet and in that advice was a web site which takes people to a list of service stations across Australia that sell E10 fuel. So information about where people can go to get E10 has been distributed. I can table this advice and the attached list if you wish. We are actively doing what we can to make people aware of the Prime Minister's announcement and to encourage them to use E10 fuel and to make it easy for them to access E10 fuel. That includes the discussions—which I referred to earlier—with suppliers to ensure that they make E10 fuel available.

Senator BOSWELL—Dr Watt, outside you mentioned that you may be able to put in some sort of program that would enable you to monitor it. Could you expand on that? I did ask you informally.

Dr Watt—As I understand it, and I will get confirmation of this, at the moment the fuel records for individual vehicles will not necessarily show E10 usage vis-a-vis other usage. It depends upon how they are recorded by fuel company and recorded by department. We would need to do two things to monitor overall usage of E10: one, make sure the usage is recorded at the petrol pump; and, two, make sure there is an arrangement in place for aggregating that. We will, in the light of your questioning here, look at seeing if we can put that in place.

Senator BOSWELL—Thank you very much.

Senator SHERRY—There are a couple of matters I want to return to in respect of the Future Fund. They are largely in the remit of the minister. My attention has been drawn, Minister, to a suggestion made by the National Gallery of Australia through Mr Ron Radford. He has publicly stated that:

He wants the Government's Future Fund to invest 1 or 2 per cent of its initial \$16 billion in "blue-chip art", particularly late 19th-century and 20th-century European and American masterpieces.

The gallery needs a Kandinsky. And a Mondrian. A major Picasso, Gauguin, Van Gogh, Whistler, Braque and Klee, and Barnett Newman would be good, too.

"Our idea would be to house them," Mr Radford said in the Canberra gallery yesterday, "and show them in our context.

"We could be part of a team to recommend [to the fund's board] works of the highest quality. It has been proven that art of this period is the safest investment - far outstripping shares and property."

The head of the gallery's acquisitions committee, Rupert Myer, said the idea "really excited" the gallery council, which includes former Wesfarmers chief executive Michael Chaney, Normandy mining founder Robert Champion de Crespigny, Goldman Sachs adviser Charles Curran, Elizabeth Nosworthy and Roslyn Packer.

Can you rule out that the government's Future Fund will be investing in artworks?

Senator Minchin—I did so in the media at the time. I have high regard for Mr Radford. He was a very good Director of the Art Gallery of South Australia and a very good appointment to the National Gallery. I admire his enthusiasm for finding ways in which his collection of artworks might be enhanced, but, as I said at the time and repeat now, the Future Fund will not be investing in artworks.

We have made it clear publicly that the Future Fund will only invest in financial assets. That is where we may differ from the opposition on this matter. I think the opposition has canvassed the view that the Future Fund should be able to invest in infrastructure. We do not agree. We do not think it should invest in artworks or infrastructure or direct property. We have taken the view that it should invest only in financial assets and we do not intend to deviate from that.

The example of the art gallery demonstrates the dangers for governments, frankly, of allowing the fund to invest in anything other than financial assets, because I think it would bring enormous pressure on the government of the day to allow investments in things of that nature. That is very dangerous, in my view. As you know, the fund is being set up on the basis that it will be built up to the point at which it can meet the superannuation liabilities and then run down to meet those liabilities. Suppose we go to the art gallery and say, 'Right. You've got to flog that \$30 million Picassos that you've got because we need it to pay our superannuation liabilities.' That demonstrates the risks inherent in allowing the fund to invest in that way. So, yes, we have categorically ruled out artworks. Indeed, we have ruled out anything other than financial assets.

Senator SHERRY—I will come back to the artworks in a second. I must say I am a little surprised about you ruling out infrastructure. There are financial instruments that own and operate infrastructure. What are you saying—that financial instruments that own infrastructure are out?

Senator Minchin—No. Financial assets would include listed financial infrastructure trusts, property trusts and things of that kind. We are ruling out direct investment, direct ownership of infrastructure or artworks.

Senator SHERRY—Coming back to the artwork issue, the *Sydney Morning Herald* said:

A spokesman for the Finance Minister, Nick Minchin, said the fund's mandate had not been determined. The fund's board, which is to be independent of the Government, will be charged with maximising the return.

There was not the rule-out that you have clarified.

Senator Minchin—In a subsequent comment we did categorically rule it out. I am happy to repeat that here.

Senator SHERRY—We have discussed the investment mandate of the fund on other occasions. Why do you not simply adopt the prudent person investment principle, which is in fact the legal requirement for all superannuation funds in this country? Wouldn't that be the simplest approach to take, both because it is existing law for all funds of this type and because it works?

Ms Doran—I think the prudent person principle will be captured in the legislative framework itself. It will be an onus placed on the boards in undertaking their investment responsibilities. I agree that that is a fundamental principle in the SIS framework as well.

Senator SHERRY—It is the only principle. It is the founding principle. There are no exceptions to that, such as: 'except for this, this, this and this'.

Ms Doran—There are some limited ones but we will not go into those here. At the next layer of investment responsibility, trustees of superannuation funds would usually disclose in more detail to their members their approach to investment, which you might coin as their investment mandate. So, while there is the prudent person principle as the highest level of requirement, there then is usually a disclosed statement of the investment approach or mandate that the fund will undertake. That informs members as to whether that is an appropriate fund to meet their own risk appetite and their expectations about return. That is the objective that we are trying to achieve in defining an investment mandate for the Future Fund. It is really a statement of expectation from the government to the board of the type of risk return profile that they are expecting for the fund.

Senator SHERRY—But if we take the prudent person principle as the core principle, if you like, isn't there a danger in then tacking on exceptions?

Ms Doran—I do not think we are looking to tack on exceptions but rather to define the prudent person principle in terms of who the main stakeholder is in this case. I think the prudent person principle depends on who you are investing for and what your assessment is of their level of prudence, if you like.

Senator SHERRY—Sure, but the prudent person principle is the basic foundation principle for all superannuation funds in this country. While it is not a superannuation fund, it is a fund to offset superannuation liability, so the purpose is the same. So why would the prudent person principle not be the foundation principle?

Ms Doran—I think I am saying that it will still be there as a foundation principle.

Senator SHERRY—Okay. If I could come back to you, Minister: at the end of the day, do you see that there is a risk? If the Future Fund is not based on the prudent person principle, or if exceptions or clarifications are added to that legislatively, what is to stop a future government of any description changing the investment principles?

Senator Minchin—We said we would very broadly define the investment mandate in the legislation but the board itself would develop the detailed investment policy within what will be a very broad mandate. That mandate will be subject to parliamentary debate, and I look forward to your contribution to that. However, I think that, as is being said, the foundation of that is the prudent person principle, and I do not think we will be moving far beyond that in terms of the very broad mandate we give legislatively. Of course, it is open to a future government to seek to have the parliament change the broad mandate in the legislation. We cannot prevent that possibility occurring in the future, but we are keen to do as much as we possibly can to cement the independence of this board and have it established in such a way that it is focused entirely on the objective of ensuring that it is in a position to meet these unfunded super liabilities free of political interference. But parliament is sovereign.

Senator SHERRY—You are right—parliament is sovereign. Parliament can change that investment mandate, but would you not concede that it would be a lot harder for a future government to change the investment mandate if it were based on and reflected the existing law which applies to all other superannuation funds in this country? Practically and politically, it would be a lot harder to do that, wouldn't it?

Senator Minchin—Yes. We are certainly endeavouring to ensure that it would be difficult for future governments to politically interfere in the operation of the board and in the pursuit of its objective. I do not think we are very far apart. I think we really are operating on the basis you are alluding to—that the legislation when you see it will be very much based on doing as much as we possibly can to give the board the independence that it should have from the government of the day and to preserve that independence in the legislation so that only the parliament could deprive it of that independence.

Senator SHERRY—I put it to you that, in practical terms, it would be extraordinarily difficult to change the investment mandate of the fund if the moneys were placed in the existing superannuation structures. That is not what is proposed. A separate fund is to be created—the Future Fund—but I submit that, if the moneys were actually placed in the existing trustee structures of the PSS and CSS, it would be extraordinarily difficult to change.

Senator Minchin—Except that the government of the day could always withdraw those funds and do whatever it liked with them.

Senator SHERRY—Do you know of any government that has withdrawn or even attempted to withdraw funds from a superannuation fund trust structure once it has been established?

Senator Minchin—I do not think there are too many examples—

Senator SHERRY—I cannot think of any.

Senator Minchin—of governments being in the position we are in, where we have requisite surplus funds available to be invested in this way. We are overtly modelling this fund

on other international funds of this kind—to wit, the New Zealand fund. It is a very good example of a very effective independent government fund managing surplus assets with a view to those assets being used to meet a particular liability. We have had a long discussion in this forum as to whether or not we could have used the CSS/PSS itself for this purpose, and we have outlined to you the reasons why we did not go down that path and why we established those as a separate fund, but we are doing so in such a way that it will have legislatively preserved independence to invest entirely with the focus of maximising the fund in order to meet the unfunded superannuation liability.

Senator SHERRY—I understand that, but, as I said to you earlier—and we have discussed it on a previous occasion—removing fund assets from an existing superannuation fund for any future government will be extraordinarily difficult. It seems to me that the creation of a separate Future Fund makes that easier. I am not suggesting that it is easy, but it makes it easier for a future government to do that if it so desires. As you said, it is up to the majority of both houses of parliament to change it if they so wish.

Senator Minchin—As I said, I think it will be—and I hope it will be—extremely difficult for a future government to meddle with the structure we are establishing to preserve the independence of the management of the funds. A future government would have to go to the parliament to seek parliamentary authority to amend the legislation to enable it to direct the fund. I think it is a very difficult thing for a future government.

Senator SHERRY—It seems to me that if, for example, the National Party come up with some—

Senator Minchin—I do not know why you are picking on the National Party.

Senator SHERRY—I think I am reasonably picking on them. The National Party are infamous for wanting funds of all sorts of description—pots of money for all sorts of good things as they see them in the community. The National Party front up to you in a year or two and say, ‘We want X amount’—billions of dollars for whatever it may be. It seems to me that the political pressure, frankly, is as great on your government as it would be on any other government to subscribe to the latest investment fashion.

Senator Minchin—Certainly all governments are subjected to enormous pressures of those kinds. I am not saying that ours is any more so than a Labor government might be. In my view, those things, if they are going to be done, ought to be done up-front on budget, as we are doing with our Communications Fund.

Senator SHERRY—Another fund.

Senator Minchin—It is up-front.

Senator SHERRY—I cannot recall the Labor Party setting up all these types of funds.

Senator Minchin—You were never in a position to do so because you ran deficits. We are in the luxurious position of having this opportunity because we run surpluses, and those surpluses should be properly deployed in the interests of the community. We believe our surpluses are best deployed in this case to meet the unfunded super liabilities through this separate legislatively established structure. You are right: having established the objective of

meeting unfunded super liabilities, there are a variety of ways in which we could achieve that objective.

We think that, on balance, the best way to do that in an up-front, transparent and independent fashion is through this legislatively established Future Fund, with an independent board and independence preserved by legislation and only able to be interfered with by the parliament, not the government of the day. I share your objective, as I understand it to be, to seek to do everything we can to preserve that independence into the future. Again, I genuinely look forward to your contribution to debating the legislation to that end. As to where you think we can improve on it, we will be—as we are with Senator Murray, who takes a keen interest in these matters—genuinely interested in your views on that matter when we debate the legislation. We are of the view that, on balance, this is the better way to achieve that objective.

Senator SHERRY—I just take up this issue of independence. We had a discussion about board appointments, for example. You did not outline anything that was different in terms of board appointments and cabinet appointments. You are not going to advertise. Given the importance of the independence and the quality necessary, why, in this case in particular, would board membership not be oversighted and/or approved by parliament as distinct from cabinet?

Senator Minchin—I think you would understand that the appointment of the board is, frankly, much more likely to be objective and independent if it is done by a responsible cabinet than if it is thrown into the political realm of the parliament. We will be very conscious of our obligation to defend the independence of those we appoint to the board.

Senator SHERRY—Of course you will—you will have appointed them. I would not expect anything less. It is the process of appointment—

Senator Minchin—But obviously in the political world in which we operate it is going to be incumbent on us to be able to say, without fear or favour and without contradiction, that the people who are appointed are appointed on merit. It is in our own interests to ensure that.

Senator SHERRY—Why not have an independent process? You are not even going to advertise.

Senator Minchin—I do not think this is a body that you put ads in the paper for, frankly. I do not see how that produces the outcome that you—

Senator SHERRY—Not in itself but as part of a process that is much more open to scrutiny. In primary industry, for example, there is independent oversight of appointments made to various boards. There is a process of appointment, advertising, and seeking out and interviewing applicants that is not totally dependent on the cabinet process. That is an example of a model that is used in primary industry. I accept that it is not used in most other areas. However, in terms of appointment you are not proposing anything different from the normal political cabinet process, yet you continue to emphasise just how important and different this fund and the board are.

Senator Minchin—The government will be taking very seriously its obligation to appoint the best possible board that it can on merit to administer this fund. What matters is the

legislative framework which will govern the board's operations. That is what matters, and that is what will define the independence. I think at the end of the day the government must take responsibility for those appointments. I do not see how you can do it any other way.

Senator SHERRY—You can. I will get to that.

Senator Minchin—You cannot do it sensibly.

Senator MURRAY—In Great Britain, as a result of the Nolan commission recommendations the British government and the ministers for various appointments publish the criteria by which appointments are going to be made. So my question is: will you publish the criteria by which these appointments will be made so that not only the process but also the criteria by which the selections will be made are transparent?

Senator Minchin—I would not close my mind to that proposition. I have some sympathy for that. We will certainly be establishing criteria for ourselves.

Senator SHERRY—Why not publish them?

Senator Minchin—I am not saying that we would not do so. Of course, once you publish them you can allow a very unfortunate debate to develop about whether the people you ultimately appoint meet those criteria. I would have thought that, at the very least, when announcing the board we would indicate the criteria that were agreed that led to their appointment. I am happy to reflect upon and discuss with others whether we publish them in advance.

Senator MURRAY—Your advisers could check with the Brits, but their experience with publishing criteria is that it has not constrained their selection ability and it has reassured people that criteria are pre-established. There is not a postjustification; there is a predetermination.

Senator Minchin—As I said, I would like to reflect on that and discuss it with my colleagues. There could be some advantages in that.

Dr Watt—There are two points I might make insofar as I am able to participate in this discussion. The first point is that at least some of the primary industry boards, where they advertise, are representative type appointments—that is, as a representative of a particular group or class—rather than non-representative appointments, as the minister is talking about with the Future Fund. The second point is on your distinction between a government-established fund and a superannuation fund and whether it is easier under one for a future parliament to change the purpose to which funds might be applied. The only point I would make is this: is the key issue the ownership of the funds? I am not sure if there is much difference between government-owned funds or funds held by the government on behalf of the Australian taxpayer in a Future Fund as opposed to, say, funds held by the government on behalf of the Australian taxpayer in a superannuation fund, unless there is some further assignment of those funds to individual members. I am not sure that just putting it in a superannuation fund would make a difference to a future parliament, but, then again, I am a bureaucrat and I am not supposed to comment.

Senator SHERRY—I was going to softly and gently make that point. Certainly I would contend that touching a superannuation fund and its assets is politically much more difficult

than what is proposed here. But time will tell. Just coming back to the independence issue, Senator Minchin, as you have stressed time and again, we are dealing with a fund of tens of billions of dollars over time. Will there be any formal parliamentary oversight, other than in this estimates process, where the board is going to appear? The Audit Office, for example, is overseen by the JCPAA. ASIC is required to give oversight hearings to the Joint Committee on Corporations and Financial Services. Is anything proposed in terms of parliamentary oversight of the Future Fund?

Senator Minchin—No, nothing in particular. What are you suggesting—that a separate committee be established?

Senator SHERRY—I am not set on the creation of a new committee particularly. But, for example, the Joint Committee on Corporations and Financial Services of the parliament is an oversight committee.

Senator Minchin—I would be happy to give that some thought. Obviously, it will be available to appear before estimates committees. It will have an annual report which is tabled and can be debated and all that sort of thing. What you are proposing is that an existing parliamentary committee perhaps have some oversight of the body.

Senator SHERRY—It is just a suggestion.

Senator Minchin—Yes, I am happy to take that on board.

Senator SHERRY—There are examples of this with the Audit Office, where there is a specific reference, and also ASIC, as Mr Lucy has discovered.

Dr Watt—The Audit Office is a little bit different.

Senator SHERRY—I understand that the Audit Office is different from the proposed Future Fund, but the emphasis from the minister and the government continually is on independence, good governance and oversight et cetera. It does seem to me that, in those circumstances, given its special nature, special consideration is warranted. If it happens, it happens. I look forward to the acknowledgment of the idea in your announcement press release, Minister.

Senator Minchin—I would like to have another look at what occurs internationally too and what other parliaments have done on this.

Senator MURRAY—The Reserve Bank is another example.

Senator Minchin—Yes.

Senator SHERRY—Concerning the projected earnings of the fund, the government adopted 5.5 per cent as the earnings rate for the Communications Fund. There is an assumed earnings rate for the Future Fund. Does the government still hold to the announced earnings rate of the fund?

Ms Doran—The earnings rate that is being used for budget purposes in estimating returns on the fund has been linked back to the PDI rate—the 5.5 per cent rate. That has been done in the absence of any investment mandate for the fund, hence the inability to anticipate what the earnings might be until there is some more certainty about a more detailed investment strategy.

Senator SHERRY—Don't you have examples of earnings rates over time for existing superannuation funds?

Ms Doran—All of which would link to the investment strategy or asset allocation of those funds.

Senator SHERRY—Yes.

Ms Doran—It was decided that until there is some certainty around that fundamental assumption the best basis is to stick with the PDI rate for budget analysis.

Senator SHERRY—I asked and received answers to questions in respect of the earnings rates for the CSS and PSS, for example. Over 10 years, there was an average rate of return of just over eight per cent in both cases. There are numerous examples in other superannuation funds. It seems to me that five per cent is on the safe but conservative side.

Ms Doran—I think it would be acknowledged that it was a conservative assumption in the absence of any detail about what the investment mandate or strategy for the fund might be.

Senator SHERRY—Given our earlier discussion, it appears that the investment mandate will be not perhaps identical to but broadly similar to existing superannuation funds. Isn't it a reasonable conclusion to come to that a real average long-term rate of return of higher than 5.5 per cent is likely?

Ms Doran—That would be the expectation, yes.

Senator SHERRY—If it is the case that we have a 5.5 per cent earnings rate, isn't there a danger that the capital injection into the Future Fund would be too high—higher than necessary if the long-term earnings rate turns out to be higher than 5.5 per cent? You have based your projection on the equilibrium point—when asset in the fund will equal liabilities—on a 5.5 per cent earnings rate. So, based on your estimates of capital injection, if we have a higher rate of return than 5.5 per cent, the capital injection may in fact turn out to be too high.

Dr Watt—At the moment, the only capital injection is \$16 billion or a decision reached by government in due course around that.

Senator SHERRY—It is not committed to.

Dr Watt—No. Further injections will depend, because of the points you make, upon the state of the fund. If, for example, the fund earnings rate is at a particular level and the government does not need capital injections because of a higher than anticipated earnings rate—indeed, it could be higher than just long on average, too—then obviously the rate of injection would be reviewed.

Senator SHERRY—Okay. But I thought there was a commitment that the large part of the Telstra sale proceeds will go into the Future Fund. That is likely to occur in the next couple of years, isn't it?

Senator Minchin—We have not made a decision to sell yet and we have not made a decision as to where the proceeds will go if we sell. We have said, of course, that it is entirely possible that the proceeds could be placed into the Future Fund. I think the objective for the fund is \$140 billion in anticipation of that being the peak—

Senator MURRAY—That is quite a few Telstras.

Senator Minchin—We would love to be in a position where the fund was likely to achieve that target prior to the anticipated date, but \$140 billion is a substantial target for the fund to achieve to meet those liabilities.

Senator SHERRY—But the point I was coming back to was: in terms of the original announcement, there was capital of X dollars to go into the Future Fund plus an assumed earnings rate of 5.5 per cent, which is cumulative, obviously, as the power of compound interest is very great. Once X goes in, in the early years, whatever X is, if the earnings rate is consistently greater than 5.5 per cent, you will reach the target earlier. You must.

Senator MURRAY—Unless you reduce the capital injection.

Senator SHERRY—The difficulty of that, of course, is that your capital injection is going in during the early years.

Senator Minchin—We have said that the fund will be available to receive the proceeds of future surpluses and future proceeds of asset sales, dependant on its need. Again, I do not think we are very far apart. The target is \$140 billion. To the extent that we have surpluses or proceeds, we will make discrete decisions as to what part of any such surplus or asset sale proceeds would go into the fund in order to assist it to meet its objective. A key factor in that will be the earnings of the existing moneys.

Senator SHERRY—What I am suggesting is that you could be in an identical situation to the reality of a defined benefit fund that exists in the private and public sector. Depending on the base capital injection of X—whatever X billion dollars is in the early years—with an estimated conservative rate of return of 5.5 per cent, which we have acknowledged is on the conservative side, if the earnings rate is even slightly greater you could actuarially—and we assume that there will be ongoing actuarial assessments; how frequently, I am not sure—reach the target—in other words, have a surplus in the fund—before the date at which you have projected the balance would occur.

Senator Minchin—Sure.

Senator SHERRY—That seems to me to be a possibility, at least, if the fund's earning rate is consistently above 5.5 per cent.

Senator Minchin—The position at the moment is that the government will decide each year upon the delivery of a surplus, if a surplus is achieved, whether or not all or part of that surplus would be placed into the Future Fund. That decision will be influenced by the current and projected performance of the fund.

Senator SHERRY—I understand that, but the fundamental issue is timing. You put X billion dollars in, say, in the first three to five years on the assumption of a 5.5 per cent earnings rate. If it is higher over time, you will have in fact have put a greater capital injection in than you needed to in order to reach the balance date with the liabilities.

Dr Watt—I think we can answer your question. I think that there is a timing issue—you are right—but there are a couple of them operating. At the moment we have an investment assumption based on the average interest rate, which is 5.5 per cent. As you say, compared with average returns from superannuation funds over the medium to longer term, that is a low or conservative assumption. But, once an investment mandate is in place, we would

presumably move to a different estimating assumption, and that will be fed back into the capital injection process.

Senator SHERRY—Okay.

Dr Watt—It is not intended that that 5.5 per cent will stay there forever.

Senator SHERRY—Okay. I am glad we clarified that. So, at some point in time after the investment mandate is determined, there will be a reassessment, if you like, of the forecast long-term rate of return?

Dr Watt—And I think that will be a fairly regular reassessment, based on an existing mandate and experience.

Senator SHERRY—So the reassessment of earnings rates, whenever it occurs, may in fact come to the conclusion that a lower capital injection requirement is required in the early years?

Dr Watt—Just as, incidentally, we continually reassess the long-term cost of our superannuation arrangements, and they have a habit of drifting up rather than down.

Senator SHERRY—In this case, largely unfunded.

Senator MURRAY—If I can interject here—surely it is necessary that a relatively high capital injection occur in the first few years, for two reasons: firstly, the size of the unfunded liability; and secondly, the difficulty of forecasting what future governments could do. If future governments effectively withdraw from the scheme and do not make capital injections, you will be very reliant on the early policy rather than on later policy. Surely that must be very much in your minds.

Dr Watt—It is difficult for me to comment on the latter point, Senator Murray.

Senator MURRAY—The minister can.

Dr Watt—I think the point is this: the more you put in early, up to a certain level, the quicker you get to your target. We are agreed on that, and that is something we are very cognisant of.

Senator MURRAY—And the target is huge.

Senator Minchin—Yes, exactly.

Senator MURRAY—Absolutely huge.

Senator SHERRY—To come back to Telstra: Minister, you have not ruled out placing all or part of the remaining government shares in Telstra into the Future Fund?

Senator Minchin—We have not ruled that out, no.

Senator SHERRY—And it seems quite possible that the entire remaining government ownership of Telstra shares could be put in the Future Fund. Are you ruling that out?

Senator Minchin—We are not ruling it out but I am happy to state a very strong preference that we not be in a position where we would do that. Our preference is obviously, from all the comments we have made, that we sell our shares. It would be a second-best option to place part or all of the shares into the Future Fund. We would much prefer to be in a

position to be able to sell them directly. But, given that we have not made a decision yet as to whether we believe we will be in a position to effect the sale next year, we therefore are not ruling out the possibility that if we were to decide next year not to sell all or part of our holding we may place them under the management of the Future Fund. But that is certainly not the preference. The preference is much more that—

Senator SHERRY—You want to sell the lot as soon as possible—presumably that is what you are saying.

Senator Minchin—The preference would be to sell all our shares next year, yes.

Senator SHERRY—But, frankly, the likelihood of that is not great, is it?

Senator Minchin—I remain hopeful that we will be in a position to do that, but it is subject to market conditions and the advice—

Senator SHERRY—But there is a possibility that will not occur.

Senator Minchin—Of course it is possible that that will not occur, and we will then have to make a decision as to whether any part of our Telstra shareholding should be placed in the Future Fund. We have talked openly about the fact that the fund would be likely to hold some Telstra shares, as many super funds do. Therefore, it is obviously open to the government to make a transfer direct to the fund, with the agreement of the Future Fund, of that proportion of Telstra that it would naturally hold. And I think it could be anticipated that that is likely to occur. The extent to which additional shares are placed in the fund will be subject to the decision the government makes in the early part of next year as to whether it is a seller or not.

Senator SHERRY—If additional shares over and above a straight transfer that you would expect any fund to hold were to be placed in the Future Fund, would you be taking into consideration the impact that would have on markets when the Future Fund decides to sell, if you like, on block either all or part of those remaining Telstra shares? Will that be a consideration? It is certainly a major worry in the markets at the moment.

Senator Minchin—Yes, obviously that will be a very major consideration. If we were to effect such a transfer, obviously there would need to be a very clear understanding and agreement with the fund as to how it managed those shares and managed any sell-down itself of those shares, yes.

Senator SHERRY—You mentioned a clear understanding about how it would manage or sell down the shares. Do you see the difficulty for existing shareholders in such an arrangement, from a government point of view, and if it becomes public knowledge? The parameters on which a Future Fund would sell down those Telstra shares will impact on the price. Certainly from all the feedback I have had, both from shareholders and from fund managers, that is one of the big worries in such an arrangement.

Senator Minchin—And we are very conscious of that. This is becoming somewhat hypothetical because, as I have said to you, it is not our preference to go down this path; our preference is to sell. In that sense, the existing private shareholders are in exactly the same position whether the government holds the shares directly, with authority to sell that we now have—we can go and sell shares tomorrow. Existing shareholders know there is a shareholder, to wit, the federal government, with a substantial market overhang and a desire to sell down.

Whether the body that actually holds those numbers of shares is the federal government itself or a federal government agency, the Future Fund, I am not sure is necessarily going to make a big difference to existing shareholders. You have the same problem, but one that the government and the board of the Future Fund are very aware of, and will be conducted themselves accordingly.

Senator SHERRY—I am aware, Minister, that these are all issues that have been raised with you and you have commented on them publicly to varying degrees. That is why I am raising them.

Senator Minchin—That is reasonable.

Dr Watt—A lot of the market concerns would depend upon the nature of the agreement between the government and the Future Fund on the future management of Telstra shares. Hypothetically, should there be a requirement to sell shares at a certain point in time, that would be of much more concern to financial markets than a minimum escrow period and a decision left to the funds managers concerned to take on their normal commercial bases.

Senator SHERRY—Sure. Coming back to the issue of an actuarially verified surplus in the fund in five or 10 years time, can the government rule out repatriating that surplus, should it occur—actuarially verified—into the budget as a surplus?

Senator Minchin—As the secretary says to me, at this stage that is entirely hypothetical. As Senator Murray has said, the \$140 billion that we are currently operating on the basis of this fund needing is a very substantial target to achieve and will require a very good performance on the part of the fund and the capacity of the government to continue to generate surpluses that are available for investment in the fund. So we are not at this stage anticipating having the luxury of the problem you describe. Our objective is simply to build this fund to the point required and no more.

Senator SHERRY—On your existing assumption of 5.5, which we know is conservative, at some point in time there may be an actuarially verified surplus. Are you saying that that would remain in the fund?

Senator Minchin—That is possible but, frankly, we have not turned our minds to how we would deal with that particular issue because we regard it as something that is merely a future possibility.

Senator SHERRY—Given the rate of return of 5.5 on which you based your projections, if the long-term rate of return is higher than 5.5—even marginally higher to an average long-term rate of return of 6 as distinct from 5.5—a significant actuarial surplus will develop over time. It must do.

Senator Minchin—We have set a target date of 2020 as the time that we want this fund to have \$140 billion. That is what we believe will be required at that point to meet the peak of the unfunded liability. We will obviously have actuarial projections on an annual basis as to the targets required and the projected point at which the fund will achieve that target, and they will govern the government's decisions on the injection of funds into the Future Fund.

Dr Watt—The process is a highly iterative one between the injections to be made at any point in time, earnings up to then, projected earnings and the moving target of the unfunded

superannuation liability itself. We will be looking to constantly adjust the injection parameter to fit that. Ms Doran might be able to help you a bit more.

Ms Doran—This is an issue that we have considered in developing the framework for the fund. It is proposed that there will be actuarial management processes in place to monitor these very issues. As to the process for making transfers to the fund itself, while it is a matter for decision by the government on the basis of budgets on a year-on-year basis, there will be an overarching mechanism which says that contributions cannot be made to the extent that they will take the fund beyond a target asset level. That is a target asset level that will be monitored by an actuary on a regular basis. That target asset level will take into account the expected earnings of the fund, based on its asset profile at that time, as well as the expected change in the liabilities, based on the demographics of the membership at that time. So it will be a management process much akin to what is done for a defined benefit fund in the normal sense.

Senator SHERRY—Except that there is to be a capital injection in the early years, based on the announced policy of X billions. I understand that this is difficult, but say the capital injection goes in in the first five years. It may be in the 10th year that the fund earnings rate is higher and the actuary comes to a not unreasonable conclusion that the capital injection has turned out to be too great. That is a not uncommon issue that has arisen in private sector defined benefit funds.

Ms Doran—It has arisen in private sector defined benefit funds but over a long period. There is a real chance that at a point in time the fund may grow to a level which exceeds the then target asset level. But what we have to remember in the context of this fund is that it has a very long nature beyond that point in time. It could well be that the asset level will fall again from that position or will return to a more average level. As the secretary has said, this will be very much an iterative process of managing both the level of the assets and the pattern of the liabilities, through an actuarial management process, to try to target the matching of those two.

Senator SHERRY—I understand. I love the use of the word ‘iterative’. It seems to be becoming more and more commonplace. It is not an unusual circumstance, where an actuarial verified defined benefit fund is in surplus, for the employer—and in this case we are talking about the government—to repatriate some or all of that surplus at a point in time. There are numerous examples of that happening.

Ms Doran—It has happened in the extreme, if I can put it that way.

Senator SHERRY—I would not say the extreme.

Ms Doran—The actuaries would look long term and would not immediately come to that decision the instant the fund went into surplus.

Senator SHERRY—That is right.

Ms Doran—In fact, there are other mechanisms, such as taking a contribution holiday or readjusting the fund in some way to achieve the balance again.

Senator SHERRY—But in this case it is not a regular set of contributions. In the New Zealand case, for example, there is a specified quantum of budget allocated to their fund,

regardless of the budget being in surplus or deficit, as I understand it. There are not regular contributions. It is an up-front contribution of X amount. There are numerous cases. The Shell Oil case comes to mind, mainly because that was the subject of a legal dispute and the employer was found to have the legal right to repatriate the actuarial verified surplus that occurred in that defined benefit fund. There is at least the possibility here that the government of the day could decide to do the same.

Senator Minchin—As I understand it, the legislation will provide that funds can be drawn down only in order to meet the superannuation liability. So, in the hypothetical situation you postulate, of the top of my head I think you would actually have to change the legislation to enable any residual surplus to be used for some other purpose.

Senator SHERRY—So even though there may be an actuarial verified surplus, the legislation will not allow for the drawing out of that surplus, even if it is actuarially verified?

Senator Minchin—That is my understanding.

Senator SHERRY—It would require legislation in parliament to draw that out?

Senator Minchin—Yes. That is right.

Dr Watt—One of the points to make, which Ms Doran made to you but which is worth reiterating, is that an actuarially verified surplus is at a point in time and you may not wish to trigger any automatic mechanism based on that.

Senator SHERRY—Yes, of course. I am aware of examples where there has been an actuarially verified surplus and the employee has drawn the surplus out. Certainly in the UK and the US they are now experiencing some of the problems with that.

Dr Watt—Actuarially verified deficits!

Senator SHERRY—Yes, being in massive deficit in some of their funds. Who is oversighting the establishment of the \$2 billion communication fund? Is that Finance as well?

Ms Doran—That will be Finance jointly with the department of communications.

Senator SHERRY—Where are we up to with the communications fund? It seems to me that it is not dissimilar from the Future Fund.

Ms Doran—It is at a fairly preliminary stage in terms of its long-term framework. The communications fund has been established legislatively and an initial transfer has been made. Those funds had been invested in a term deposit with the Reserve Bank of Australia and the decision has been taken to consider its longer-term investment framework over the next few months. That will be done jointly between our department and Communications.

Senator SHERRY—What is the earnings rate at the Reserve Bank at the moment?

Ms Doran—I believe it is earning 5.6 per cent on a six-month term deposit.

Senator SHERRY—That is a special account of the FMA, isn't it?

Ms Doran—That is correct.

Senator SHERRY—I did receive, I must say after some time, the updated actuarial assessment of the liabilities of the PSS-CSS. There was a new update done separately from the regular three-year process. There seemed to be an indication that this would be now done

on a yearly basis in the context of the Future Fund. Is that correct or would it still be the three-yearly review update?

Ms Doran—We still undertake a three-yearly loop in terms of doing a full actuarial review. By ‘full actuarial review’ I mean that the actuaries consider the experience of the fund and reassess their assumptions for the future in terms of economic assumptions and demographic.

Senator SHERRY—Longevity.

Ms Doran—That is right. We undertake an annual valuation process on an abbreviated form. Really, it just picks up the same assumptions that were used at the last triennial evaluation but looks at the current membership base for the scheme and projects it forward on that basis. So it is to track more accurately, I guess, between long-term reviews, the movement in the unfunded liability.

Senator SHERRY—So there will be the same three-year full actuarial review, if you like, and an abbreviated annual review on an ongoing basis?

Ms Doran—That is right. That is something we have been doing for the last three or four years at least.

Senator SHERRY—That is to continue?

Dr Watt—The annual review predates the Future Fund.

Senator SHERRY—It seems to me that the annual review takes on a greater importance in view of the Future Fund and the closure of the PSS as well, which may or may not have the longer-term projected cost consequences. Certainly, if the 22 per cent separation rate continues, Dr Watt, it might affect the liabilities.

Dr Watt—It is all right, provided they go to the rest of the APS—which most of them are, incidentally.

Senator SHERRY—That completes my questions on the Future Fund. No, I am sorry, there is one other issue. What will the treatment of the earnings of the Future Fund be, in a budgetary and finance sense?

Ms Campbell—The earnings of the fund will not be included in the underlying cash surplus.

Senator SHERRY—Why is that?

Ms Doran—The essential principle there was that the earnings of the fund are to be reinvested in the fund and so they are quarantined, just as the rest of the Future Fund was. It seemed inappropriate to disclose them as part of the underlying cash, which is seen as revenue available for spending.

Senator SHERRY—Who deemed it to be inappropriate? Was that Finance or were some other views sought outside Finance on this treatment?

Ms Campbell—This matter was agreed with Finance, Treasury and the ABS.

Senator SHERRY—Was anyone else involve?

Ms Campbell—No.

Senator MURRAY—In the last statement, did you say the ABS?

Ms Campbell—The Australian Bureau of Statistics.

Senator MURRAY—I would think that, to bring them to account, you would have to bring the liabilities to account as well, which it has not been the practice to do. They have been off balance sheet, if you want to put it that way, in the past. The unfunded liabilities have not been recorded as a direct component of the budgetary papers.

Dr Watt—They are not taken into account in measuring the underlying cash balance—that is correct—but they are recorded. They are on the budget.

Senator MURRAY—They are recorded, but they are not part of the balance sheet, if you like, of the government.

Dr Watt—I think they are.

Senator Minchin—But they are not part of revenue and expenditure.

Dr Watt—They are not part of revenue and expenditure on an underlying cash basis; they are on a fiscal basis.

Senator MURRAY—My point is simply that, if you start to record the earnings, you are going to have to record the liabilities as well in that same way.

Mr Kaufmann—I will just clarify that. The unfunded liabilities are recorded in the balance sheet of both GFS and accounting standards for the general government sector, and notional interest is taken up on the operating statement. It is there.

Senator MURRAY—Let us go back to Senator Sherry's point: if that was so, you would expect it to appear as a cash balance item.

Mr Kaufmann—No. It is taken up on an accruals basis, following the actuarial re-evaluation of the liability, increasing the liability in terms of provisions and expense.

Dr Watt—Miss Campbell's point was a point of underlying cash; Mr Kaufmann's point is about the accrual budget.

Ms Campbell—So the underlying cash measure is because the funds are not available for expenditure.

Senator MURRAY—That is right.

Ms Doran—You are right that, in an underlying cash sense, benefit payments from the scheme are recognised as they are paid, but there is no process of recognising the accruing liability as such. That is an accrual concept, a fiscal balance concept. In terms of the underlying cash measure, that is why the decision was taken to exclude the earnings on the Future Fund, because they are quarantined for future benefit payment purposes. That is not the framework of underlying cash to recognise those payments in advance, without recognising interest in advance and without recognising the future payments that they are offsetting.

Senator MURRAY—The point of my interjection is that, if you were to shift to the point that Senator Sherry is making, you would have to change the way in which liabilities are recorded. Is that correct?

Senator SHERRY—But would you? With or without the Future Fund, how would liabilities change in terms of the current budget treatment and explanation?

Senator MURRAY—You would have to pick up the annual change, wouldn't you?

Mr Kaufmann—Yes.

Senator SHERRY—I have no more questions on the Future Fund. I have some questions about the monthly financial statements and the final budget outcome.

Senator CHRIS EVANS—On indulgence, for which I thank you, Mr Chair, I want to ask about any special appropriations for the Ombudsman's office to assist in his completion of the DIMIA inquiries. I asked DIMIA but they said that I ought to ask Finance—I thought I would preface my remarks with that before the witnesses tell me to ask DIMIA. DIMIA told me they were not funding it and that it was being directly done as an appropriation. They understood there had been some extra funds made available for the Ombudsman.

Mr Bowen—That is correct. There will be, at additional estimates, an additional amount for the Ombudsman. I do not have the actual figure here with me, but I can get it for you.

Senator CHRIS EVANS—Great. So, he is carrying on within his normal appropriations but you have agreed to seek an additional estimates appropriation for him.

Mr Bowen—The government has agreed to provide additional funding for him. It is within his existing departmental funding, from memory, but it recognises the additional workload that he will have in assessing those cases.

Dr Watt—And the mechanism for seeking it is through the additional estimates process.

Senator CHRIS EVANS—Is it fair to say that before that happens there is a bit of a wink and a nod or an understanding that the government will be ticking off on it?

Dr Watt—If my memory serves me correctly—and I need to confirm this—the government announced publicly that there would be additional work for the Ombudsman. At the same time it announced that there would be additional funding for that. It is not that there was a wink and a nod but rather that until additional estimates are passed by the parliament the money is not available to the Ombudsman. That is more the point. The commitment is there; you just do not have the money until the parliament passes the legislation.

Senator CHRIS EVANS—Dr Watt, I find your respect for the parliament refreshing and unusual in these times.

Senator Minchin—Typical of Finance!

Senator CHRIS EVANS—If not its minister and its government! But let's not go there. Mr Bowen, I accept the process argument. Would you be able to tell me later on today how much and for what purpose and that sort of thing?

Mr Bowen—I will certainly try to do that.

Senator Minchin—We will get it.

Senator CHRIS EVANS—Thanks a lot.

Senator SHERRY—I want to go to the final budget underlying cash balance outcomes for 2004-05. Looking at page 1 of the 2004-05 final budget outcome, could you explain what the normal process is for preparing the monthly financial statements.

Ms Campbell—In the monthly statements that are released, the normal comparison is a pro rata across the year. The rate of comparison is equal to a pro rata out of the total budget.

Senator SHERRY—Is the pro rata basis for application determined at budget time?

Dr Watt—Yes and no.

CHAIR—That is a good answer, Dr Watt.

Senator SHERRY—I will have to ask for an explanation of the yes and the no.

Dr Watt—The budget estimate clearly forms the basis for the pro rata. That is updated as the estimates are updated through the course of the year. For example, if you decide there will be a lot more spending on a particular program—and that is a decision of government, not just a variation during the year—it is not much good running with the old pro rata; you have to update it.

Senator SHERRY—So you have your pro rata assumption for each month—

Dr Watt—Your budgetary base.

Senator SHERRY—the decision is made and that it is obviously going to go up and that is as an adjustment.

Dr Watt—Or down, depending on the decision.

Senator SHERRY—What is the benchmark that Finance has for closing its systems, doing the reconciliation and providing the MFS to the minister's office?

Ms Campbell—The benchmark is to table within 30 days.

Senator SHERRY—That is the benchmark. Is that what happens?

Ms Campbell—That does not always happen but that is what we strive to achieve.

Senator SHERRY—Is it overwhelmingly within 30 days?

Ms Campbell—We will give you the statistics so far. The average in 2004-05 was 44 days.

Dr Watt—I think that average is distorted by two things, if memory serves me correctly. One is that we do not publish July and August until after we have published the FBO. Clearly, we do not want to be in the position of putting out numbers for July of the new financial year without having published an outcome for the previous one. The second thing was the effect of the election, or did that not have a significant effect?

Ms Hazell—It had a limited effect.

Dr Watt—It had a limited effect. That is unusual.

Senator MURRAY—If you took those two out, what would be the average?

Mr Kaufmann—The average would be 39 days over the months. For the first three months of 2005-06, we are down from 44 days to 40 days. Taking out July and August, we are down to 26 days.

Senator SHERRY—I do not want to overstate this but you are still a reasonable way off 30.

Mr Kaufmann—Yes.

Ms Campbell—We are getting closer.

Mr Kaufmann—We are improving.

Senator MURRAY—We cannot ask for more than that.

Senator SHERRY—What are the key dates in March and April? When do you have to call it a day, effectively, and say, ‘The system is closed off, the reconciliations are done and they have to go to the minister’s office’?

Ms Campbell—We ask agencies to submit their data by the 10th day of the month. Depending on the quality of the data, and some of the errors we find, it takes us time to complete those reconciliations. We complete those as quickly as we possibly can.

Senator SHERRY—So it is the 10th day of the month and then what? Could it be another week before it goes to the minister’s office?

Ms Campbell—It sometimes depends on when we have weekends fall during that period as well as the quality of the data and how many times we need to go back to agencies to clarify variations and positions.

Dr Watt—And indeed whether agencies always get the data in on time. They are sometimes not able to do that, and that tends to slow things up.

Senator SHERRY—I was intrigued by the gap in the underlying cash balance in April. The budget had the underlying cash balance at \$9.25 billion, whereas the MFS for April has the amount at \$12.3 billion, which is a fairly substantial difference. Why is that the case?

Ms Campbell—Because of the profiling, agencies often spend a greater proportion of funding in the April, May and June period. They had indicated at that point in time that that was their intent.

Senator SHERRY—That is \$3.1 billion.

Dr Watt—At that point in time agencies were telling us that they would spend a very significant proportion of expenditure over which they had discretion in the last several weeks of the financial year. That is the difference. The monthly figure is simply based on a pro rata of expenditure. The budget takes into account expectations about agency spending and that is importantly driven by what the agencies tell us.

Senator SHERRY—Presumably, that is no different from previous years. Wouldn’t it have been reasonable to expect that to occur?

Dr Watt—You can use previous years as one source of information, but each year is different. Each year the underspends vary across programs, so particular programs can vary, and the circumstances of each year are always different. For example, major political events like elections can influence expenditure patterns. One thing that is commonly known in Canberra is that the rate of hiring slows down during elections. No department is keen to take on staff during elections, so the rate of expenditure upon staff often slows. People still leave

but there is less hiring. Sometimes agencies think that they will catch that up. Sometimes they do and sometimes they do not.

Senator SHERRY—I understand the issues and the impact, but \$3.1 billion seems to me to be a substantial number even given those factors that you have outlined.

Dr Watt—We acknowledge that the difference is large but we did spend a good deal of time—and Mr Bowen and Ms Campbell can confirm this—working with agencies on the likelihood of their expenditure.

Senator SHERRY—When does the system close—when the budget numbers are finalised? Presumably there is a cut-off date as well.

Ms Campbell—The budget numbers closed several days before the budget was handed down—at the start of May.

Senator SHERRY—So it was the last week of April?

Ms Campbell—No, the system did not close until the first few days of May this year.

Senator SHERRY—Do you have a precise date?

Ms Campbell—I do not have a precise date.

Mr Bowen—No, I do not either.

Senator SHERRY—You can take it on notice. When was the system closed for the preparation of the April MFS?

Ms Campbell—The numbers would have come in to us on 10 May.

Senator SHERRY—So we have 10 May and then about two weeks earlier for the budget. What are we to conclude from that? I am sure that there is an explanation but it seems that the budget has been biased on the low side.

Ms Campbell—Agencies had indicated that they were likely to spend those funds during May and June of that year.

Senator SHERRY—Will you be taking into account this outcome in terms of believing them next time around?

Dr Watt—Not merely will we, Senator, we are. We have taken into account this outcome. We regard it as a very poor estimate, quite frankly, by the Department of Finance and Administration on the expenses side of the budget. We are not happy with the outcome and we will be putting steps in place to help ensure that we do better next year. There are two points to make. Firstly, we spent a fair bit of time working with agencies in the run-up to the finalisation of the budget estimate, which resulted in a significant reduction in agency estimates of expenditure. It is not as though we simply took the agency estimates and said, ‘Yes, you will obviously spend it; we will put it in the estimates.’

Senator SHERRY—You did not take it at face value?

Dr Watt—No. There is a validation process that goes on around all budget estimates, no matter what they are, and that is part of the validation process. We paid particular attention this year because of where the cash numbers were, so we did significantly reduce the expenses estimate.

The second thing is that since the budget outcome we have started to put in place some further measures to make sure we get a better estimate of in-year budget estimates, particularly between budget and FBO. That will include more validation work by Finance, and it includes us going and talking to agencies, because these estimates are ultimately initially derived in the agencies—and not just in one particular part of the agencies but by program managers across agencies. So we are spending some time with them. We are looking at alternative arrangements for the rephrasing of expenditure between years that might help cut down carry-forwards and encourage agencies to improve their estimates. We are looking at a series of ways of improving the accuracy of our expense estimates. Are we happy with what happened? No. Was there an element of ‘much larger than expected’? Yes. We have had underestimates in previous years, but they have been nothing like this order of magnitude.

Senator SHERRY—That is right. That is what struck us.

Dr Watt—It struck us too.

Mr Bowen—I will add a couple of points to that. You are aware that we are developing a new central budget management system.

Senator SHERRY—Yes. I think we had a talk about it at the last estimates.

Mr Bowen—Yes. The government funded us to do this a couple of years ago. That system is now progressively being brought on line and we are starting to use it. As we and agencies use the system, it will give us a better capability to look in more detail at program expenditures on a cash basis and on an accrual basis. The system is not a golden bullet in any sense, but we expect that it will be a major help.

Senator SHERRY—I like the expression ‘a golden bullet’.

Mr Bowen—A silver bullet—it certainly will not be a golden bullet.

Dr Watt—It is a golden gun.

Senator MURRAY—Or a smoking gun?

Senator SHERRY—What are the departments describing it as?

Mr Bowen—They are looking forward to it. But it will be much more user-friendly than the current system. However, it will require agencies to actually input this data, and unless you get good data input it is very hard to get good data output.

Senator SHERRY—Rubbish in, rubbish out.

Mr Bowen—That is right. Another initiative that we are taking is to put greater onus on chief financial officers of agencies to actually sign off on the 50 largest programs that we deal with. The 50 largest programs encompass about 80 per cent of government outlays. We do not like this outcome at all. We will continue to work at it. We have to work collaboratively with agencies. It is not just a matter of us doing it or them doing it. We both have to work at it. We also have to have, and we are getting, greater engagement in agencies with the program managers who are actually running the programs. We deal very closely with CFOs. We will in the future be dealing more closely with program managers as well.

Senator SHERRY—Why do you identify that as critical?

Mr Bowen—It is critical because these are the people who are actually managing, in some cases, very large expenditures on a day-to-day basis.

Dr Watt—The program managers are the ones who make the detailed judgments on how the program is tracking vis-a-vis expectations. Those judgments may be brought together and aggregated in the CFO's office, and the CFO will presumably run his or her eye over them, but in the end the judgments are importantly made by the program managers. We think that is important for us to get our message not just to CFOs, where we think our message about the accuracy of estimates is reasonably readily accepted—they have no reason to dispute that—but also through to program managers.

Senator SHERRY—Is this linked to the recent comments by the Audit Office and the identification of the unauthorised officials signing funding agreements?

Dr Watt—No.

Senator SHERRY—Is it a separate issue?

Dr Watt—Completely separate.

Senator SHERRY—We are not dealing with the same personnel, are we?

Mr Bowen—There could be similar personnel involved, but the two issues are quite separate.

Senator SHERRY—Going back to the officers involved, presumably they are people with a fair amount of experience—knowledge of programs and experience in their respective agencies. Given what occurred this year, has something happened to lead to this poorer performance?

Mr Bowen—That is an interesting question, and it is one that we are exploring further with agencies. We know where the underspends have occurred. You can say that in some cases there was greater optimism than was warranted. It is interesting that, if you look at the accrual expenses that were booked, you see that in fact we had expenditure that was \$0.3 billion higher than budgeted. But in many cases the cash did not go out the door to match the expense that was booked. When I say some agencies were overly optimistic, that is what I am talking about. They did not get the cash out the door as quickly as they expected.

Senator SHERRY—Is that an indication they have been slowing payment?

Mr Bowen—I do not think I can draw that conclusion. There are some instances where negotiations—for example with the states—were delayed, and payments were delayed accordingly. I cannot say that payments were slow for other reasons. I do not have that data. But it is interesting that we had quite an accurate result overall on the expenses side but that the cash did not match the expenses.

Dr Watt—The point is that the accrued expense is booked when the commitment is made. What happened with the cash seems to be that the commitment was made but the benchmark was not reached. It was not as though the payment was slow; the benchmark for payment was not hit.

Senator SHERRY—The April MFS was released on 10 June from the minister's office, by my recollection.

Dr Watt—Do you wish us to confirm that, Senator?

Senator SHERRY—Yes, if you could.

Ms Campbell—We can confirm that and get back to you.

Senator SHERRY—If we take it that it was released on 10 June, when was the April MFS sent to the minister's office?

Ms Campbell—We will take that on notice as well.

Senator SHERRY—Okay. I might pursue that in a little more detail after lunch if you can find that out for me in the break. On two previous occasions we have discussed health expenditure in a fair amount of detail—the monitoring of it and program expenditure in that department. Could you give me an update on how that is proceeding? Are you happier than you were on the last occasion? You will recall, Mr Bowen, that we had quite an extensive discussion about this matter.

Mr Bowen—Yes. I think on the last occasion it was not your normal year. We had an election, a caretaker period and PEFO. We were certainly monitoring the expenditure and reporting, you might recall, on the Medicare safety net. We reported on that item in PEFO and we also did a costing that covered that item. We are continuing to monitor. I might say, on the Medicare safety net, that the estimates for budget and for 2005-06 are tracking pretty much in line with the estimates that we published at PEFO and then in the budget.

Senator SHERRY—When you say 'pretty much in line'—

Mr Bowen—They are tracking slightly under, I think, but it is very small. The variation really is in the noise.

Senator SHERRY—So you are confident from a Finance perspective that you have adequate monitoring of the expenditure? If we use the issue of the Medicare safety net, you are confident that is occurring?

Mr Bowen—We were talking more generally about the accuracy of the estimates. We will continue to try and improve our tracking, monitoring and forecasting and we will continue to do that in a range of portfolios including Health. But, having said that, yes is the answer—we are reasonably comfortable with health expenditure.

Senator SHERRY—Obviously, we have referred specifically to the Medicare safety net. What about health expenditure generally?

Mr Bowen—I may need some assistance here, but as far as I am aware—and I will come back to you if there is a difference—health estimates are tracking according to expectations at this point in the financial year.

Senator SHERRY—I assume that you are not looking at everything in every department—that is, you as an individual officer.

Mr Bowen—I am not, no.

Senator SHERRY—But your other officers are?

Mr Bowen—We have systems in place whereby we do track all of the major variances from the expected expenditures from the budget. We certainly do that for the major programs.

A lot of the health programs, of course, come into that category. We are tracking them closely. We also work, by the way, with agencies—and we have done it with a number of agencies, but we are doing it with Health—to refine the models that underlie some of these large, demand-driven programs. We will continue to do that.

Senator SHERRY—Just on that issue, does refining the models involve Finance getting quite directly involved with officers in Health?

Mr Bowen—Yes.

Senator SHERRY—Just checking, helping, assisting or whatever in their longer-term projections?

Mr Bowen—Yes—both short-term and long-term.

Senator SHERRY—It is both. So when we talk about short-term, that is obviously the current financial year?

Mr Bowen—Budget year, forward estimates—

Senator SHERRY—So three years out.

Mr Bowen—And these models do go out well beyond that as well.

Senator SHERRY—In the case of health expenditure, the modelling for three years and longer-term, even beyond the three years, is the department's responsibility?

Mr Bowen—It is, but, of course, we have a whole-of-government responsibility. I think, as Dr Watt said earlier, we do not simply accept the estimates and forecasts that are put to us. We validate those as best we can, working with the agencies and using whatever data we can access.

Senator SHERRY—Thank you.

Proceedings suspended from 12.30 pm to 1.32 pm

CHAIR—I call the committee to order. The committee is still examining outcome 1.

Senator SHERRY—Ms Campbell, do you have the information that I asked for?

Ms Campbell—Yes, I do. The system closed for the budget estimates update finally on 5 May for the 2005-06 budget. The April monthly financial statements were released on 10 June and we provided the advice to the minister's office on 30 May 2005.

Senator SHERRY—Why the four weeks? You provided the advice to the minister exactly four weeks after the end of April.

Dr Watt—Exhaustion, I suspect, Senator. We do not have a reason. I am almost sure that we just simply ran out of people.

Senator SHERRY—That is beyond the norm, is it?

Dr Watt—Yes.

Ms Campbell—It is beyond the norm.

Dr Watt—As we have noted, it was a rather busy budget. I suspect that it simply got pushed aside.

Senator SHERRY—Can we come back to the issue of health that we were discussing, Mr Bowen?

Mr Bowen—Yes.

Senator SHERRY—We were discussing the longer term projections in health. I think you referred to not only the budget year but also the out estimates and even beyond that in terms of health expenditure modelling. Can you give me some more detail about these models?

Mr Bowen—I may need some assistance on the actual models.

Senator SHERRY—Ms Wilson, are there longer term models, for the three years of the forward estimates and beyond?

Ms J. Wilson—That is right.

Senator SHERRY—What involvement does Finance have in those modellings in Health?

Ms J. Wilson—We work on refining the models with Health. We update the models once a year after the last financial year's data is available, so we will be making updates for the MYEFO in relation to PBS and MBS estimates on the basis of an annual model update.

Senator SHERRY—So it is not just inputs, it is the assumptions that are part of the formula in the model for calculating long term. You have a role in that as well?

Ms J. Wilson—It is an econometric model, so we look at the differing components and discuss with Health what is happening, what does a model predict and how does it stack up with what happened last year.

Senator SHERRY—Is there a title for this econometric model?

Ms J. Wilson—I am not sure it has a name.

Senator SHERRY—Is there one or are there more?

Ms J. Wilson—There is one for each of them.

Senator SHERRY—For each of them?

Ms J. Wilson—The PBS and the MBS.

Senator SHERRY—So for the PBS there is one. What else is there one for?

Ms J. Wilson—MBS.

Senator SHERRY—Any others in health?

Ms J. Wilson—Not that I am aware of. They are the two big ones.

Senator SHERRY—I am trying to understand the relationship between these models and the intergenerational forecast that is issued every couple of years.

Mr Bowen—Every five years.

Senator SHERRY—Yes. Are those the models that the *Intergenerational report* incorporates in terms of health expenditures in its forecasting?

Ms J. Wilson—I think at its base—and I need to check this—it would take into account things like the ageing of the population and potentially greater access to medicines and health technology as people age. But I need to take that on notice and get back to you.

Senator SHERRY—Okay. I could probably follow that through with Mr Gallagher in Treasury.

Mr Bowen—Yes.

Senator SHERRY—From the Finance point of view, do you believe these models, at least as of today, are robust in terms of their predictions?

Ms J. Wilson—Yes. As I said, we worked very closely with Health on continuing to refine the models.

Senator SHERRY—Other than this area of the modelling in health, has Finance done any forecasts of its own in terms of its own release of long-term health costs?

Ms J. Wilson—No. We tend to do them jointly.

Senator SHERRY—Minister, I notice that in the *Fin Review* on 30 September you said:

At this stage of the economic cycle, these health costs are affordable ...

Health will continue to cost taxpayers substantial sums of money ...

That was not made on the basis of any reviews about long-term health costs that you are aware of?

Senator Minchin—Nothing other than the *Intergenerational report*, which of course does focus particularly on the long-term challenge Australia faces in funding health.

Senator SHERRY—Wouldn't, for example, policy decisions to extend the seniors health card access have impacted on those long-term costs? That is a policy the government introduced itself, it expanded the access to it.

Senator Minchin—When did we do that?

Senator SHERRY—Back in 2001—it was an election promise. I am not sure when the operative date was.

Senator Minchin—I am sure at the time that cabinet was apprised of the financial implications of the decision.

Senator SHERRY—Was it apprised of the long-term cost of that beyond the forward estimates?

Senator Minchin—We had not done the *Intergenerational report* at that point—that was in 2002—so we did not have the benefit of the *IGR*. And, as you know, our forward estimates are on the basis of four years. Finance in its advice to cabinet obviously does, to the extent possible, draw attention to the potential for ongoing cost increases with particular policy proposals.

Senator SHERRY—Beyond the forward estimates period?

Senator Minchin—Yes.

Senator SHERRY—Does Finance do that as a matter of policy course when it puts a view on costing?

Mr Bowen—All ministers bringing forward proposals to cabinet must identify the long-term cost implications, beyond the forward estimates.

Dr Watt—Where there is a significant difference. If you have a program that has grown by a three per cent indexation factor then that is not an issue. If you have a program with a sharply differing profile then it may be.

Senator SHERRY—Does Finance do an aggregate assessment of that outside the *Intergenerational report*? Do you keep tabs on these policy initiatives that have a longer-term cost?

Mr Bowen—There is not a formal approach to doing that outside the *Intergenerational report* but in the context of particular programs we would certainly keep track of how they are trending and projected to trend over time.

Senator SHERRY—Coming back to the minister's earlier comment about the seniors health card, let us take a more recent policy initiative—the rebate for people over the age of 55. It is an income tested rebate if they continue working. Are you familiar with that? It was introduced earlier this year. The cost blew out as well.

Senator Minchin—It is an offset.

Senator SHERRY—Yes, it is a pensioner offset, work offset or whatever. For obvious reasons the cost impact of that would not have been incorporated in intergenerational models yet, would it?

Mr Bowen—I am not an expert on the intergenerational model, and I think you identified the person in Treasury who is. If that policy were not in place, as I think it was not at the time of the *Intergenerational report*, then I guess the assumption is that it would not have been incorporated in that report.

Senator Minchin—That policy was introduced very much in the vein of dealing with the problems identified by the IGR in seeking to encourage older workers to remain in the work force.

Senator SHERRY—It remains to be seen whether that happens as a consequence of that policy. You could argue that extending the seniors health card might convince people they are healthy so they will go back to work.

Senator Minchin—It might well help.

Senator SHERRY—To summarise: you receive—and, presumably, expect—a longer term costing where there is a longer term costing issue for any policy initiative. You do not keep tabs on these things in the aggregate; that is the task of the *Intergenerational report*. I notice on this issue of health costs that the Australian Institute of Health and Welfare found that total spending in health rose \$6.1 billion in the year to 30 June 2004 to a total of \$78.4 billion. Are you aware of that analysis of health costs?

Mr Bowen—Not in detail except to say that it was Australia wide, I understand. It included Commonwealth and state expenditures.

Dr Watt—And private health expenditures.

Senator SHERRY—At this time there is no specific project analysis by Finance of generally increasing health costs and their underlying causes beyond that which we have discussed in the last 15 minutes or so?

Mr Bowen—It may be worth taking up that issue with the Department of Health and Ageing as well.

Senator SHERRY—Yes, but by Finance?

Mr Bowen—Not by Finance, no.

Senator SHERRY—To go back to the commencement of the estimates, is someone able to give me the threshold in dollar terms for Commonwealth government contracts having to go to tender and if there is any difference between departments? We have flashed back.

Mr Hutson—Since the implementation of the revised procurement guidelines on 1 January 2005, agencies that are covered by the guidelines are generally required to go to tender on purchases of goods and services above \$80,000. There are exemptions that are contained in the guidelines.

Senator SHERRY—Are those guidelines publicly available?

Mr Hutson—Yes, they are. I might add that construction is \$6 million.

Senator SHERRY—That is presumably the cost of an individual contract. That is the sheer size of those types of contracts.

Mr Hutson—Yes, that is right. When you said ‘all government agencies’, that applies to all FMA agencies plus 33 agencies under the CAC Act.

Senator SHERRY—Except for construction projects.

Mr Hutson—Yes.

Mr Bowen—Senator, was it you who asked a question about the additional expenditure for the Ombudsman?

Dr Watt—It was Senator Chris Evans.

Senator SHERRY—Yes, Senator Chris Evans.

Dr Watt—He said we could read our statement into evidence while you were here.

Senator SHERRY—Thank you. That was very kind of him.

Mr Bowen—The statement reads: the government has agreed to provide an additional \$18.3 million over four years for the Commonwealth Ombudsman’s office in relation to immigration matters.

Senator SHERRY—Thanks for that. I want to go back to an issue I touched on earlier. The ANAO investigated breaches in respect of unauthorised officials signing funding agreements and apparently prima facie illegally appropriating moneys. What is happening in terms of validating those unauthorised appropriations?

Mr Hutson—I might just give you a little clarification. What you are referring to are section 31 agreements under the Financial Management and Accountability Act. Section 31 provides that, where an agreement is in place, revenue of a type mentioned in the agreement is then available for expenditure by departments in accordance with the terms of the agreement. There have been some issues with the technicalities of a fairly substantial number of agreements. So what we have done is twofold: we had to acknowledge the fact that there are

issues with those agreements, and many departments and agencies have acknowledged that in their annual reports; and a document has been signed by the secretary varying more recent section 31 agreements so that revenue in past periods has been recognised so as to, if you like, make that revenue available to departments to rectify the situation they found themselves in.

Senator SHERRY—That is a retrospective approval, if you like.

Mr Hutson—No. Retrospective appropriations are not permitted.

Senator SHERRY—Then how are these past breaches being rectified?

Mr Hutson—You cannot rectify a past breach of section 83 of the Constitution.

Senator SHERRY—So what happens then?

Mr Hutson—You merely have to recognise the fact that a breach occurred.

Senator SHERRY—And nothing can be done about it?

Mr Hutson—No, nothing can be done about it.

Senator SHERRY—Given that a substantial number of these breaches have occurred, what is the general observation at Finance about the number of them?

Mr Hutson—A number of issues have been associated with the signatories to the agreements, but the issues that have been identified are very much of a technical nature in terms of the person who has signed the agreement, as to whether or not they were properly authorised. What we have done in going forward is to issue additional guidance to satisfy ourselves that future agreements will not suffer these issues. We have also redone all section 31 agreements over the last 12 months to make sure that they are all entirely correct. The secretary has also signed a document basically cancelling past agreements that were not subject to the new and more detailed process of rigour in terms of making sure that the signatories were correct.

Senator SHERRY—Has that occurred in terms of all the documents in each department and agency?

Mr Hutson—All departments have had new agreements done.

Senator SHERRY—All of them?

Mr Hutson—All of them.

Senator SHERRY—Thank you. I have finished with outcome 1.

Dr Watt—Can I send home the officers for outcome 1?

Senator SHERRY—Yes. But, just to clarify, I will have a couple questions later on output 2.1 with respect to the treatment of the Telstra sale process and asset sales. That is the only area where I have questions outside ComSuper, CSS and PSS.

CHAIR—Senator Faulkner had issues relating to protocols for travel. Is that outcome 3?

Dr Watt—Yes, that is outcome 3. I am certain of that.

Senator SHERRY—I am not aware of anything in outcome 2, other than the Telstra and business enterprise ownership issues.

Dr Watt—We will let the officers for outcome 1 go home, apart from those necessary to handle your questions on that and Senator Faulkner's questions, if there is any spillover.

CHAIR—Thank you.

[1.54 pm]

CHAIR—We are now on outcome 2, Improved and more efficient government operations.

Senator SHERRY—I want to congratulate you on the colour in the ComSuper report. It stands out well and makes it very readable.

Mr Gibbs—Thank you.

Dr Watt—We stick to black and white.

Senator SHERRY—I know that, but the use of the red headlines just makes it easier to read. Maybe it is because of my eyes, I do not know, but for me it stuck out. I read the PSS and CSS reports together. There was not a lot of difference in the layout and what was on particular pages. Some of my questions apply to both.

The actuarial review for PSS and CSS is referred to on page 9 of both reports. The PSS report says:

The next actuarial review of the PSS as at 30 June 2005 will be undertaken during 2005-2006 by Mercers Human Resource Consulting Pty Ltd.

What is the expected date that that will become available?

Ms Doran—We would expect that to be available in early to mid-December.

Senator SHERRY—Will that be publicly released?

Ms Doran—The report is usually tabled in parliament. It will not be at that time, though; it will be a bit after the date of completion.

Senator SHERRY—Is that both CSS and PSS?

Ms Doran—That is right, yes.

Senator SHERRY—Will that include the DFRDB? I have not read their report.

Ms Doran—That is a matter for Defence.

Senator SHERRY—Can I have a list of the performance pay paid, as indicated in the CSS-PSS reports? I am not seeking it next to the names of individual officers. It says that the average performance pay was \$16,122 and a total of \$306,324 was paid to 19 staff. Could I have a list of the actual amounts, please?

Mr Gibbs—Yes. I do not have that with me, but I will provide it.

Senator SHERRY—Take it on notice.

Mr Gibbs—Yes.

Senator SHERRY—Is it the boards that determine the performance pay in all cases or is it that the chief executive determines the performance pay of the officers under him and the board determines the performance pay of the CEO?

Mr Gibbs—The boards determine the performance pay of the three most senior officers—the CEO, the chief investment officer and the chief business operations officer. As CEO I determine the performance pay, or the bonus, as we call it—if there is to be one—for other staff.

Senator SHERRY—I could not find details of the breakdown of the number of staff on AWAs.

Mr Gibbs—None of the board staff are on AWAs. They are all on individual contracts of employment.

Senator SHERRY—Page 47 mentions complaints lodged with the Superannuation Complaints Tribunal, the SCT. It gives a brief overview of complaints lodged. It does not seem clear to me from that summary how many decisions went wholly or partly against the board. It says that two decisions of the board were affirmed.

Mr Gibbs—Are you looking at the PSS or CSS?

Senator SHERRY—I am looking at the PSS. The dot points say:

- Seven cases were completed
- Two decisions of the Board were affirmed ...

That leaves a question. Presumably five cases went against the board. Am I correct in that assumption?

Mr Gibbs—No. If you look at the next two dot points you will see that two cases were affirmed, four were withdrawn by the complainants and one was treated as lapsed. That makes up the seven.

Senator SHERRY—I see.

Mr Gibbs—That is the PSS. The CSS will be different. There were at least one or two, from my recollection, that went against the board, but, again, that should be apparent from the CSS report.

Senator SHERRY—I was just going to turn to that. I am not sure it is on the same page. I will just check.

Mr Gibbs—It is at the top of page 47 again.

Senator SHERRY—On notice, could you provide me with a summary—I do not want a 10-, 20-, 30- or 40-page judgment—of the decisions that went against the board in both cases?

Mr Gibbs—Yes. If there were any in that particular year I will do so.

Senator SHERRY—Thanks. In the actuarial review in the case of the CSS, which is on page 9, the three-yearly updates and the increase in unfunded liability are listed. Do those figures incorporate the update that was done in respect of the Future Fund liabilities that was provided to me on notice? It was an update on the public sector super liabilities for the PSS and CSS. Are the figures on page 9 as of the last time that the three-year review was done?

Mr Gibbs—The review was commissioned by Finance. So I think the department should—

Ms Doran—In the CSS report, Senator?

Senator SHERRY—Yes.

Ms Doran—That will not be affected by the closure of the PSS, so those figures are unaffected. In the PSS report I would imagine the numbers would reflect liabilities from the last long-term cost report, which would probably not show the closure of the PSS.

Senator SHERRY—Are there any issues other than the Future Fund, which we discussed earlier? Are there any major projects or issues being overseen at the moment in terms of public sector superannuation, other than the Future Fund and the closure of the PSS?

Ms Doran—I do not think so, Senator. I am not sure what you are querying but—

Senator SHERRY—I am just interested to know what your work program is outside the two issues we have touched on, if there is one.

Ms Doran—Only to respond to broader policy changes in the superannuation area.

Senator SHERRY—Such as?

Ms Doran—Whatever they may be going forward.

Senator SHERRY—Have you done any work on the implications of super splitting in terms of the public sector?

Ms Doran—That is a relatively new issue.

Ms Wilson—As Ms Doran said, it is a relatively new issue that has come forward. We are starting to look at it in the context of the PSS accumulation plan. But we have not turned our minds to the issue in relation to the defined benefit schemes yet.

Senator SHERRY—All DBs are excluded, as I understand it. Is it intended that the public sector accumulation fund will offer super splitting? It is not a requirement of the legislation.

Ms Wilson—That is a matter on which we have not yet reached a position to recommend to the government. We are just starting to look at it at the moment.

Senator CROSSIN—It probably will not come as any surprise to you to learn what I am going to ask you a few questions about—that is, the situation with the Commonwealth superannuation recipients who will be the subject of legislation that is before the Senate. How many people will this legislation affect?

Mr Gibbs—It is impossible to precisely determine, but it is probably in the order of 150 people. It is impossible to precisely determine because without going to every individual we cannot establish whether all of them have not had a condition of release under SIS or whether some of them have. But the maximum number would be in the order of 150.

Senator CROSSIN—So there are 150 people who have already obtained their superannuation benefit and will now be able to keep that—or this legislation will now legalise that payment. Is that correct?

Mr Gibbs—There are 150 people who were paid their superannuation benefit that may have been paid without a condition of release in accordance with SIS, and the legislation, which is not my area, validates those payments that were in fact made without a condition of release.

Senator CROSSIN—A letter that was sent to Mr Gray on 6 October 2004 talks about a coalition government conducting a review to examine the circumstances of CSS members such as yourself. Did that review occur?

Mr Gibbs—I am sorry. This is a matter for Finance.

Ms Doran—That review was undertaken within the department of Finance, looking at the circumstances of the various individuals covered by this.

Senator CROSSIN—Who undertook that review?

Ms Doran—Members of my division.

Senator CROSSIN—How? By accessing single files? What was the nature of the review?

Ms Doran—They worked with ComSuper on the details of the types of individuals covered, looking at their circumstances and their relevance to both the SIS and the CSS legislation, just to understand how this issue had arisen and what remedies could essentially be put in place to best address it.

Senator CROSSIN—Were there some terms of reference for this review?

Ms Doran—Not in a formal sense. I think the terms of reference were to look at the circumstances of the individuals affected and to consider the remedies that could be put in place.

Senator CROSSIN—So the review occurred by looking at individuals file by file and circumstance by circumstance. Is that correct?

Ms Doran—Not so much file by file, but based on their broad circumstances.

Senator CROSSIN—So what of those people who had applied for their Commonwealth super benefit but had not accessed their benefit by the magical date at which the Comsuper board ruled on these payments? How many people had applied for their superannuation but had not accessed it when there was a change in the way these conditions were applied?

Ms Doran—From memory, there may have been 12 or 13 who were in train—who had applications in place but had not had those applications actioned as yet.

Senator CROSSIN—Was Mr Gray one of those 12 or 13?

Mr Gibbs—As I understand it, yes.

Senator CROSSIN—Did you make representation to this government that perhaps the legislation should include those people who had applied but had not accessed the money?

Ms Doran—Once the issue had come to light, that these payments were not authorised under the SIS framework, a decision had to be taken to cease that practice going forward. Unfortunately, it is acknowledged, there were some people with applications in train, but because they had not actioned their benefits we really could not allow them to be actioned when the legislation did not allow that.

Senator CROSSIN—Who made a decision to draw a line in the sand there? If you are going to put in legislation, why not let those 12 action their benefits and let the legislation pick that up? We are not talking about hundreds here, just a dozen. Who made the decision to draw the line in the sand there?

Ms Doran—The decision was taken before the form of remedy was decided, and the decision was taken on the basis of the legislation that was in place. It was not so much a decision as a compliance with the legislation as it applied.

Senator CROSSIN—I do not quite follow you there. You have now put in legislation to make those retrospective payments legal. Why was a decision made to include those who had received their payment as opposed to those who had applied but had not yet received their payment?

Ms Doran—There were really two stages of the process. The first was the acknowledgement of the issue that had occurred and the necessity to cease any future payments from the time of the realisation of this issue because it was in noncompliance with the SIS framework. At that point there were some people whose applications were in train, but no further action could be taken on those. So it was really at that point of realising the issue that the decision was taken as to where the line was drawn. When we then undertook the review and looked at remedies, the remedy could only really be applied to those who had commenced their benefit payments.

Senator CROSSIN—So the line was drawn at people who had actually received cash as opposed to people who had applied for their benefit as well. Is that right?

Mr Gibbs—What happened was that when it was established that an existing practice was wrong and was not authorised by law, the CSS board had no alternative but to instruct that that practice cease. The CSS board could not authorise payments that were not in accordance with the law once it became aware that that was in fact what was happening.

Senator CROSSIN—But is it not considered that an application to access that benefit, no matter what stage that application is at, is deemed de facto to be eligible for that benefit?

Mr Gibbs—But the application could not be acted on, because to act on it would have been against the law. Once that was clear we had no alternative but to simply say to those people, to whom we have apologised on numerous occasions, that unfortunately there was no discretion to process those applications. They were indeed only applications for processing. Once it was clear we could not process them in accordance with the law then we could not process them.

Senator CROSSIN—Has a letter ever been sent to Mr Gray explaining the details of what we have just discussed?

Mr Gibbs—As I understand it, they have been a number of letters sent to Mr Gray.

Senator CROSSIN—Yes, I know there are a number of letters and I am probably holding most of them, which is why I am asking if you have actually sent a letter back to Mr Gray explaining that the review was on a case-by-case basis rather than being a review of the legislation, explaining the nature of the review or how it was conducted.

Mr Gibbs—I have certainly communicated with Mr Gray about the reason his application could not be processed—and that is what it was, that it was in accordance with the law. I apologised for that and also explained why other people in the past, whom he validly sees as being in a similar position, did have their applications processed and paid and that that was a mistake. That has certainly been explained from the board's position.

Senator CROSSIN—Can you explain to me what is actually defined as ceasing employment? These circumstances occurred to only a certain number of people in a certain range of industries. In your mind or in the board's mind, what was the difference between being permanently employed by the Northern Territory Commissioner for Public Employment and on contract to the department of education?

Mr Gibbs—We took specific advice about Mr Gray's case.

Senator CROSSIN—Who from?

Mr Gibbs—It was legal advice. It was advice that a condition of release in the terms of SIS—that is, having ceased employment—was not the case in respect of Mr Gray.

Senator CROSSIN—What are the reasons for it not being the case?

Mr Gibbs—He was in employment.

Senator CROSSIN—He was in the same nature of employment—teaching.

Mr Gibbs—Yes.

Senator CROSSIN—But he was not employed by the Commissioner for Public Employment and was now on contract to the secretary of education.

Mr Gibbs—I understand that position. Our advice was that that was the same as continuing in employment with the same employer.

Senator CROSSIN—So that advice could be subject to challenge, do you believe?

Mr Gibbs—I do not believe so. There was certainly absolutely no basis on which the board could not act upon that advice.

Senator CROSSIN—What is the difference between someone in the Northern Territory, say, working for the Commissioner for Public Employment and then going down the road and being on contract to the Catholic primary school?

Mr Gibbs—If at the time the person claimed the benefit they had ceased employment with the employer who was effectively the contributor to the CSS then the board would have been able to pay the benefit. What the person subsequently does in their life is not a matter for the board to inquire about. The board must establish at the point when the benefit is claimed whether the person continues in employment with the same employer who was contributing to the CSS or not. If the answer to that is that they are continuing in employment then the benefit cannot be paid. If the answer to that is that they have ceased employment then the benefit can be paid. What the person then does in terms of future employment is not a matter that the board needs to or, indeed, should inquire about.

Senator CROSSIN—So the defining contributor is actually the one who contributes to the superannuation benefit? Is that right?

Mr Gibbs—In these cases, these are people who had left the CSS in the context of working with an employer like the Northern Territory government or the university. They had ceased to be a member, but they continued in the same employment. They then sought to claim their benefit while in continuous employment. That did not satisfy the condition of release.

Senator CROSSIN—But, if Mr Gray had in fact taken his benefit when he left the employment of the Commissioner for Public Employment in 2000, he would now be part of the 150 caught up by this legislation, wouldn't he? He deferred taking his lump sum until April of last year?

Mr Gibbs—I cannot remember whether he would have been entitled to take his lump sum because you cannot take your lump sum or, indeed, your pension until you reach preservation age. So I do not know—I do not have in front of me his age in 2000. But if he was entitled in terms of those criteria then he would have been paid because that was the then—incorrect—practice. He would have then been paid.

Senator CROSSIN—Can you explain to me what the situation is with people who are employed at the University College of the Northern Territory, then renamed Northern Territory University and now named Charles Darwin University?

Mr Gibbs—I cannot because I do not know the circumstances that you describe.

Senator CROSSIN—It is the same university. It has had three different names over the last 12 years.

Mr Gibbs—As you would appreciate, whether it is the same employer is an issue that we would have to look at on a case-by-case basis. I simply cannot stand here and say that it would or would not be. It depends on whether it was just a renaming or there was a successorship and so forth.

Senator CROSSIN—Can you take that on notice for me? I put to you that at least three people that we are aware of who have been employed by the Northern Territory University—and it was renamed Charles Darwin University at the end of 2003, when the legislation went through the parliament—since April of last year have resigned their permanent employment at the university, taken up a contract with the university two days later and have been able to access their lump sum benefit.

Mr Gibbs—I can only say that I will take that on notice.

Senator CROSSIN—Can you also tell me perhaps how many Commonwealth CSS members you would have at the university these days? Also, how many would have been able to access their lump sum payments since April of last year?

Mr Gibbs—Since April 2004?

Senator CROSSIN—Yes.

Mr Gibbs—Certainly; we can take that on notice.

Senator CROSSIN—Thank you.

[2.25 pm]

CHAIR—We will move to output group 2, Improved and more efficient government operations.

Senator SHERRY—I have a couple of questions on the Telstra sale proceeds. I suspect some of these issues might move into output 1. The proceeds from the assets sales program in respect of the Telstra sale, based on a share price of \$5.25, are shown in the 2005-06 budget as

\$11.28 billion in 2006-07, 2007-08 and 2008-09. When can we expect an update of those budget figures?

Dr Watt—The figures are reviewed as part of the two major reviews that go on each year: one at budget time and one for MYEFO. The time those numbers will change is when the government decides it is appropriate to change its estimating assumptions in relation to the proceeds of Telstra.

Senator SHERRY—Let us take the mid-year financial review. Don't you think it is likely that they will need to change from a budgetary perspective, given the current circumstances—in fact, highly likely?

Dr Watt—It is possible, but they are estimating assumptions and you change them when you believe that is appropriate.

Senator SHERRY—And also when it becomes blindingly obvious that the previous estimates are just not going to be sustainable.

Dr Watt—No. If you are referring to the share price, \$5.25 has always been an estimating assumption—no more. It is in no sense a target price; it is in no sense what the government thinks it will get for Telstra. It is an estimating assumption. You can keep estimating assumptions for a long time. But that is not a matter for me; that is a matter for the government.

Senator SHERRY—Who would carry out that estimate? You would do that on the instruction of government?

Dr Watt—The numbers are always updated by Finance and, where relevant, Treasury. In the end, sensitive estimates are considered by government.

Senator SHERRY—But you would give a recommendation to the government, wouldn't you? You would give them the best advice that you have at the time.

Dr Watt—We always give our best advice.

Senator SHERRY—I thought you would. The ministers do not just pluck figures out of the air. You will give an update for MYEFO and they may or may not accept it. But you will give best advice.

Dr Watt—We always give our best advice.

Senator SHERRY—I thought so. I would be surprised if you did not. So, until MYEFO at the earliest, there will be no changes to budget parameters on Telstra share price proceeds, et cetera? There will be no change around the already announced parameters?

Dr Watt—There will be no change to anything before MYEFO. The question for government is: in a world where you have not committed to a final sale do you change your estimating assumptions?

Senator SHERRY—Now that the sale authorisation legislation has passed parliament, where are we up to in the process? I saw a photo of all these funds managers walking into the Department of Finance and Administration. There were about 20 of them stretched across the pavements of Canberra. Where are we up to in the process?

Dr Watt—Finance has entered into the process of appointing a number of necessary advisers for the sale. The particular photo you refer to related to the interview processes around the appointment of the project management joint global coordinators. They are not the only ones that we are in the process of appointing. Mr Lewis can tell you where a couple of others are. We first appoint key advisers and cascade down, because many of the advisers or service delivers actually work for the project management joint global coordinators.

Mr Lewis—I should point out that Finance did exercise a number of options it had in relation to a number of scoping study advisory appointments. It extended the services of Caliburn Partnership in relation to business advice, Freehills in relation to domestic legal advice, Gavin Anderson and Company in relation to communications advisory services, DBM Consultants for market research services and Sparke Helmore for process advisory services. These were all competitions which we ran initially for the scoping phase, but we advised the successful candidates that, subject to performance and a government decision to proceed, we would have an option to appoint them in relation to the preparations for sale, thereby achieving competitive tension right upfront in relation to each of those processes.

Senator SHERRY—Has there been a public announcement about the time period and the cost?

Mr Lewis—Yes. I can give you the details on that if you want that now. It is certainly all out.

Senator SHERRY—No, thank you; not right now.

Mr Lewis—In relation to the tender that the secretary just referred to, open tender processes were conducted in relation to the project management joint global coordinators and a concurrent process in relation to a panel of firms to undertake institutional selling services. Interviews were conducted on 13 and 14 October, and I am sure the photo that you referred to was taken on one of those two days. The project management joint global coordinators would oversee the sale of Telstra shares and undertake all project management of a sale. The current status of that process is that we are evaluating the result of the proposals lodged, conducting interviews and making subsequent inquiries of referees.

Senator SHERRY—When would you expect an appointment to be made? I am not going to hold you to any date.

Mr Lewis—I would expect it to be through the course of this month.

Senator SHERRY—What are the further stages in the process?

Mr Lewis—For completeness, I should mention that we have also embarked on a request for tender in relation to international legal advisory services. The intent is to get the advisory team, in the broad, in place within the next month or so. We would then be in a position to do a considerable amount of work over the following couple of months, so we would be able to advise the government in the first part of 2006 about whether a sale of Telstra shares in 2006 should proceed and, if so, on what basis.

Senator SHERRY—Has the selection of these people all been handled by you or your unit?

Mr Lewis—The way we conduct our major tenders is as follows: if you take the joint global coordinator process, a panel—we certainly do the hackwork in relation to all these tender processes—consists in this instance of four individuals and that includes the secretary here, me and two independently appointed businesspersons. The four of us constitute a panel in relation to these selections. There would be different panels for different processes.

Senator SHERRY—Do you have the names of the other individuals on the panel?

Mr Lewis—We do. We had Malcolm Kinnaird and Barry Murphy.

Senator SHERRY—Once that process is complete, what follows from there? You are obviously giving some advice to government. What is the next stage?

Mr Lewis—There are two key things happening concurrently. One is that we will need to initiate some of our logistics appointments so we are in readiness should be government decide to launch. We will also be working up advice for government in the first part of next year about the circumstances surrounding the sale and whether or not it should proceed.

Senator SHERRY—And that would include a sale in part or whole?

Mr Lewis—Correct. Again, it would be a very wide-ranging analysis of all factors, including the prospects for a sale of the whole or part.

Senator SHERRY—Will that include the option of placing in part or whole the shares in the Future Fund?

Mr Lewis—Indeed.

Senator SHERRY—Is the ANAO involved in this at all in terms of advice?

Mr Lewis—We invite the ANAO to participate at certain points in the process. We have a process review committee to which we invite the ANAO to send a representative and, historically, they have done so. Clearly, they are doing that as an observer; they are not part of the executive handling of the sale, but they do observe elements of the process. Naturally, we would fully expect—and I believe it is already on their indicative program—that at the completion of any Telstra 3 sale they will conduct a performance audit in relation to our handling of that sale, like they did on Telstra 1 and Telstra 2.

Senator SHERRY—If it were a part sale, not the whole of the T3 in one tranche, would they still do an Audit Office report? Have they indicated that to you?

Mr Lewis—That would be a judgment call for the Auditor-General.

Dr Watt—I would be very surprised if he did not.

Senator SHERRY—So would I.

Mr Lewis—We always assume so. We find it useful with our consultancy group for a start.

Senator SHERRY—Even if it does not happen, it is a useful attitude to have. At this stage, have the details of the contracts involving the investment banks been developed and overseen?

Mr Lewis—I am not able to give you details in relation to that one. We can certainly give you the details of the appointments but we have a number of issues to resolve in relation to

the appointments that are not yet finalised, including some commercial elements which would need to be resolved.

Senator SHERRY—What type of commercial elements?

Mr Lewis—Fees, for example.

Senator SHERRY—That is a biggie.

Mr Lewis—That is not the only issue. I prefer not to discuss it because different banks will have different issues and we are in a process we have not yet finalised.

Senator SHERRY—Will this include some overview of the details of the expenditure incurred by the investment banks?

Mr Lewis—We will have a very close eye on that.

Senator SHERRY—There was much controversy on the two previous occasions about some of the expenditure.

Mr Lewis—I would perhaps accept that in relation to the first one; I might tend to resist it a bit in relation to the second one. If you look at the audit report in relation to Telstra 2, I think you will find the ANAO was pretty comfortable with it. I should mention that we do have one bank already appointed. For example, in relation to Caliburn—

Senator SHERRY—In relation to what?

Mr Lewis—Caliburn is our independent business adviser. It can play no selling role in relation to a T3. We have exercised the option in relation to Caliburn. If you are interested in the fees for that bank, we will certainly provide them to you.

Senator SHERRY—Yes, if you can. Please take that on notice.

Mr Lewis—It is \$5.375 million if we exercise all options.

Senator SHERRY—Do you have other contract details that you would like to give me?

Mr Lewis—Rather than take them on notice, I would prefer to give them to you.

Senator SHERRY—I would rather you read off what you have on that document in front of you. I am sure that will cover the pool. Can I ask about the other contract prices? What is available at the moment in terms of the contract prices?

Mr Lewis—The Australian Government Solicitor is \$980,000. These are the gazettal amounts I am providing you. Freehills is \$5.375 million. Sparke Helmore is \$634,000. Gavin Anderson is \$3.3 million and DBM Consultants are \$1.463 million. I point out that these are the gazettal amounts that we are required to gazette, which flag the full cost under the contract. That full cost would only be incurred in the event that the government decides in the first part of next year to proceed to a sale.

Senator SHERRY—To sell all or part. In terms of the gazettal amounts, some of the moneys would be paid if the sale did not proceed.

Mr Lewis—Yes, indeed.

Senator SHERRY—Certainly for expenditure incurred.

Mr Lewis—We would meet their costs.

Senator SHERRY—How do you make a judgment about that—that if it did not go ahead they would have to justify what they would be paid up to the point of announcement of non-sale, if that occurred?

Mr Lewis—We would tend to adopt something approaching a pro rata arrangement.

Senator SHERRY—Time pro rata?

Mr Lewis—Yes.

Senator SHERRY—Is that reasonable, given that the costs involved might incur a base cost that is front-end loaded?

Mr Lewis—We think it is reasonable in the competitive circumstance in which we find ourselves.

Senator SHERRY—Whether they think it is reasonable is another thing!

Dr Watt—I think what Mr Lewis is saying is that there are some fees where that question would not even come into play if the government chose not to proceed to sale. For the others, we structure the contracts so that there are minimal payments in the initial period and more payments as you move along, which is quite reasonable because you are taking on more suppliers and so forth, and they have to be paid for.

Senator SHERRY—In laughing I was not being critical. I actually think it is a pretty good deal if you can get that outcome. And beyond that there will be no further costs of any significance incurred until a sale is determined one way or the other?

Mr Lewis—Once a government decides to launch, if it does reach that point, the costs start to increase substantially beyond that point. They increase the closer and closer you get to a sale. It will be a function of what kind of sale is decided upon and how it is established, because we have a fair bit of flexibility about what the options might be, and our costs will be reflective of the strategy.

Senator SHERRY—You would have an idea of the overall cost, based on the previous experience.

Mr Lewis—We do. We have the experience from Telstra 1, Telstra 2 and CBA 3 prior to that. We certainly are alive to ways in which we might be able to economise on cost without economising on outcome.

Senator MURRAY—What is the accounting treatment of all that? On an accruals basis the sales proceeds arrive after you have incurred the costs of the sale. Do you coordinate those at all on an accruals basis?

Dr Watt—We treat them completely separately, from memory.

Mr Heazlett—Sale costs are accrued as they are incurred. As the services are provided that incur the obligation to pay then we accrue those costs.

Dr Watt—The important point to make is that we do not net the sale costs of the proceeds from sale. So we have an appropriation for sale costs. That is transparent. When it is paid out it is clear what we have paid out in the budget, and we take in the full proceeds into the budget or under the line.

Senator MURRAY—So, assuming your costs occurred in the year 2005-06 and your sale proceeds occurred in the year 2006-7, it would be a gross cost impact in 2005-06 and a gross revenue impact in 2006-7.

Mr Heazlett—That is right.

Senator SHERRY—If the sale proceeds, would it require an act of parliament to place all or part of the proceeds in the Future Fund, or would that happen automatically? I cannot recall it being covered in the privatisation bill.

Senator Minchin—That would not be required. The legislation setting up the Future Fund will make it clear that it is able to receive those funds.

Senator SHERRY—I was not sure about the payment itself.

Senator MURRAY—You are obliged to report on it.

Senator Minchin—Yes.

Senator MURRAY—But you are not obliged to have it approved by parliament.

Senator Minchin—You do not need a separate act of parliament to make that transfer.

Senator Faulkner interjecting—

Senator Minchin—Thank you, Senator Faulkner—you are right.

Senator SHERRY—I just thought with the independent nature of this Future Fund which we discussed earlier, Senator Minchin, that it might be arms-length from government and a sort of super investment agency—

Senator Minchin—As we have always made clear, it is for the government to decide what goes in but then it is for the fund to decide what it does with what is put in it.

Senator SHERRY—I understood that. I just was not sure whether it required formal legislative approval to do that.

Senator FAULKNER—Could I ask that the *Hansard* show that my last comment was with tongue inserted clearly in cheek.

Senator Minchin—You mean that was a bit of irony?

Senator FAULKNER—Just in case Senator Minchin—and I know he would not be like this; it is not his personality—decided to deliberately misinterpret my mildly ironic comment.

Senator Minchin—Even I can detect irony!

Senator SHERRY—He is in line for Senate leader, so he would not do that to you, Senator Faulkner.

Senator FAULKNER—I heard that he is about to be promoted. Let me be first to congratulate you when it happens, Senator Minchin—and I understand that will not be long.

Senator Minchin—No, Senator Hill is here for the long haul and he is doing a very good job.

Senator SHERRY—The jostling for promotion, including from you, Mr Chair, so I hear, and your colleague Senator Brandis, that is of greater interest than the scuttlebutt of the corridors of Senate power.

Senator FAULKNER—You said that so sincerely, Senator Minchin. Can the *Hansard* record that?

Senator Minchin—As a sincere comment? Yes, it can.

CHAIR—Senator Sherry.

Senator SHERRY—Yes—back to asset sales.

Dr Watt—Senator Sherry, just to confirm the transfer of funds into the Future Fund: consistent with the Future Fund legislation there is no further act of parliament required. There is, however, ministerial determination involved in the transfer of funds.

Senator SHERRY—Okay. I assume there will be a flourishing ministerial press release as well.

Senator Minchin—On what?

Senator SHERRY—On the transfer of the money.

Senator Minchin—I am sure there will be.

Senator SHERRY—As long as you acknowledge my earlier suggestion, Senator Minchin, if you take it up.

Senator Minchin—I always give credit where it is due.

Senator SHERRY—Moving from Telstra to Medibank Private: where are we up to with a scoping study with respect to Medibank Private?

Mr Yarra—We expect to have an update of the previous study complete probably by the end of the year, by December, and we have engaged Carnegie Wiley to do that for us.

Senator SHERRY—Are they the only consultant that have been engaged in this process so far?

Mr Yarra—They are.

Senator SHERRY—What is their contract price?

Mr Yarra—The contract price is \$79,000.

Senator SHERRY—Once that scoping study is complete it goes to government, presumably, for decision.

Mr Yarra—That is the usual course of scoping studies. That forms the basis of advice to government in due course.

Senator SHERRY—And then government will presumably make an announcement one way or the other.

Senator Minchin—That is right. We will decide on the basis of that scoping study and advice from other parts of the government whether or not to proceed with a sale of Medibank Private.

Senator SHERRY—Are there any other scoping studies being carried out? I have heard stories about Australia Post.

Mr Yarra—The only other scoping study that has been announced and that is being undertaken is into the possible sale of the Submarine Corporation—I should call it ASC. That is its proper name: ASC Ltd.

Senator SHERRY—Where is that up to?

Mr Yarra—That has not commenced yet. We have engaged a process adviser to help us in the engagement of business or legal advisers and we expect to have them signed up in the first week in December. We expect to have that scoping study report complete by early March, is our guess.

Senator Minchin—In that case, Senator Sherry, I remind you the government objective is to sell ASC.

Senator SHERRY—Yes, I recall us discussing it. I think there are other added complications with that one. Is it about the value of contracts that they have or about some other possible dispute?

Dr Watt—I think when the government put the privatisation process on hold in 2000-01 there were a number of questions about ASC's relationship with Kockums regarding IP, the access from Kockums and the ongoing issue about welding—the weld problem on Collins, which was welding done by Kockums not by ASC. A large number of things needed to be sorted out before it was thought that the government had a product that could be sensibly valued for a sale purpose.

Senator SHERRY—There is a possible liability issue.

Dr Watt—No, I think the ASC has sorted out all those issues with Kockums.

Senator SHERRY—I meant at that time, not now.

Dr Watt—I think the extent of the liability and who owed who what—because there were a number of conflicting claims—made it almost impossible to sensibly evaluate the value of the organisation.

Senator SHERRY—But it is your understanding now that—

Dr Watt—the differences have all been resolved.

Mr Yarra—And commercial settlements have been reached.

Dr Watt—The ASC also had to take a capability partner on board. They have done that.

Proceedings suspended from 2.51 pm to 3.29 pm

CHAIR—I call the committee to order. We are up to outcome 3, output 3.1, Ministerial and parliamentary services.

Senator FAULKNER—I want to start with the two issues that I flagged with Dr Watt this morning. Dr Watt, could you outline for the record, please, the protocols for ministers travelling overseas and their parties? I am interested in the protocols in relation to what costs are borne by the home department and what costs are borne by DOFA. If there is any other involvement you could let us know. But, as I understand it, the burden is shared between the

home department and DOFA. Could you outline the protocol? I am not interested at this stage in a specific example—and I personally do not intend to follow up with a specific example. I just want to know the broad outline of the protocol.

Dr Watt—I think we can do that.

Ms Clarke—There is a document which sets out what the respective arrangements are in terms of MAPS and home departments for ministers. I can give you a copy of that document.

Senator FAULKNER—I would appreciate that. Could you briefly outline it for the record?

Ms Clarke—Yes, certainly.

Senator FAULKNER—If you could table that, it would be very helpful. I appreciate the department's assistance in that regard.

Ms Clarke—I will just read out what MAPS is responsible for. The Department of Finance and Administration will meet those costs listed below where they relate to travel by the minister or parliamentary secretary, his or her spouse and accompanying staff employed under the MOP(S) Act. They are: airfares, including all taxes; transport—however, Finance will not meet overtime costs of host staff or any cost of host vehicles; accommodation and meals; allowances and advances; non-portfolio related Australian government hospitality up to a maximum of \$2,500 per trip or \$5,000 for the Minister for Foreign Affairs and Trade; excess baggage charges; reimbursement of official passport costs required for overseas travel; pre-travel inoculations and associated doctor and pharmaceutical costs; baggage and personal effects insurance up to the value of \$5,000 through Comcover; tips, gratuities and portage; dry cleaning and laundry expenses; and emergency medical and hospital expenses. That is what MAPS covers.

Senator FAULKNER—And when we say 'MAPS', is that DOFA?

Ms Clarke—Yes.

Senator FAULKNER—Is this completely administered within MAPS? Is that the section of DOFA?

Ms Mason—The items that Ms Clarke has just referred to are met from the administered appropriation which is administered by MAPS within the department.

Senator FAULKNER—Thank you.

Ms Clarke—Would you like me to run through what portfolio departments are responsible for?

Senator FAULKNER—Yes.

Ms Clarke—Portfolio departments are responsible for meeting those costs associated with all portfolio related hospitality and overseas business. These costs include, but are not limited to, the following: any additional hotel rooms being used as an office and/or for hospitality which is portfolio related; any security costs which are not met by the PSCC, including police escorts and armoured vehicles; hire—meeting, conference rooms; office equipment, including mobile phones, telephones, facsimile installation and associated call charges; installation of telephone lines; all official telephone call and remote dialling and connection costs incurred

by the minister and any accompanying personal or departmental staff; business centre costs—for example, faxing and photocopying; in-flight communication use—for example, satellite phone costs and entertainment usage on the special purpose aircraft; non-official spouse program costs; interpreter costs, including any services, fares, accommodation and transport; portfolio related hospitality, such as lunches and dinners for industry representatives; SIM cards; mobile phones; maps—as in touring maps—all costs associated with departmental staff, including mobile phone and call-up costs; and any airline or VIP lounge hire.

Senator FAULKNER—That is helpful. Thank you for that, Ms Clarke. So that includes all elements of expenditure of both office holders—in this case, ministers and parliamentary secretaries—and MOP staff?

Ms Clarke—That covers ministers and parliamentary secretaries and their staff.

Senator FAULKNER—In relation to any accompanying departmental staff, I assume all those costs are met by the home department. For the fullness and completeness of the record, could you perhaps confirm that for us? I think my understanding is correct, isn't it?

Dr Watt—That is correct.

Ms Clarke—Yes—I just read that out.

Senator FAULKNER—Did you? I appreciate the information and thank you. I know it is also going to be provided in table form, but that is helpful. Thank you for that. The second issue I flagged with the department—again, I am just interested in some advice here—I have struggled with for some time. It is the issue of whether there are separate appropriations. Here I am thinking specifically of the Government Members Secretariat. Is there a separate appropriation for staff salaries or a salary component? I am using that as a broad category or catch-all on the one hand and equipment on the other hand—or is it all the same appropriation?

Ms Mason—Staff related costs for staff engaged under the Members of Parliament (Staff) Act 1984 are met by an annual appropriation administered by MAPS.

Senator FAULKNER—What about capital equipment at the Government Members Secretariat? Where is the appropriation there? What is the line appropriation?

Mr Suur—The corporate group meets other administration costs for GMS in the way that it meets the administration costs of ministers' offices and the office of the parliamentary secretary. So, in other words, it comes from the departmental expenses appropriation for the Department of Finance and Administration.

Senator FAULKNER—So the DOFA corporate group meets that. Similarly to the last question I asked about ministers' travel, are you able to say for us what is covered by the corporate group in terms of the GMS? Just give the broad categories, like you have given in the other question, if you can.

Mr Suur—Administrative support includes things like office equipment, mobile phones, office consumables, any additional furniture requirements that might be had, general administrative support—for example, postage, courier services, accounts processing, subscriptions, memberships, and IT services and support.

Senator FAULKNER—There has been a decision made, which we have talked about over a number of years, in relation to the members in the GMS operating under the authority of the Chief Government Whip in the House of Representatives. Is that still the situation?

Ms Mason—Yes.

Senator FAULKNER—Who delegates the authority to the Chief Government Whip, or are there delegations involved here—financial delegations, for example? What, if any, financial authority does the chief government whip have in relation to the GMS? It is the same as a minister?

Mr Suur—Ministers do not have any financial delegations.

Senator FAULKNER—They have a capacity to determine delegations, though, haven't they?

Mr Suur—But—

Senator FAULKNER—They do, don't they, Dr Watt?

Dr Watt—Sorry, Senator, I missed the question.

Senator Faulkner—Mr Suur correctly says that ministers do not hold any direct delegations, but they determine delegations, don't they? They decide; they are the primary decision makers in terms of delegations, who hold those delegations and amounts. That is right, isn't it?

Ms Mason—If you are referring to the capacity of senators and members to choose which staff they engage, they certainly have the authority to do that. They may also designate a member of their staff as the office manager or authorised person to exercise certain delegations.

Senator FAULKNER—Yes, but it is not only members of their staff; they are also deciding in their own department. I am sure that Senator Abetz would be determining delegations, or I assume he would, for people in ministerial and parliamentary services and the like—authorising the capacity for a delegate to authorise expenditure up to a certain amount.

Dr Watt—We think Mr Suur can answer your question.

Mr Suur—The delegate in this case would be somebody like me exercising my formal role within the department as a manager. In this case, as general manager of corporate group, I was responsible for funding the administrative support for the GMS, much in the same way as I was responsible for funding the operations of the minister's office staff and the parliamentary secretary's operations and so on.

Senator FAULKNER—Minister, can you explain briefly what responsibility the Chief Government Whip has in relation only to the GMS? I am not interested in other roles in the House of Representatives and so forth or any party political role or anything else. As the head of the GMS, what is the Chief Government Whip authorised to do? That is what I am trying to understand. I am not intending, by the way, to put this question with any political spin. I am just trying to understand how the finances work there and what official responsibilities the Chief Government Whip has.

Senator Abetz—I suppose it is like in my office. He is responsible for the operations of the GMS and he directs the staff as he deems appropriate.

Senator FAULKNER—As far as the corporate section of the department is concerned, Mr Suur, is equipment that is departmental equipment used by the GMS?

Mr Suur—The equipment that is used by the GMS belongs to the department in the way that the equipment used in our minister's offices belongs to the department. They will identify a need for something and we will either purchase it or lease it for their use. Either when they have no further use for it or when the equipment is handed back, it reverts to the ownership of the department.

Senator FAULKNER—This may not be the correct terminology, but it is the terminology that I used this morning and I will stick with it until you tell me it is not reasonable: does the department 'loan' equipment to the GMS?

Mr Suur—'Loan' means that you give a free good. We actually have a budget for the GMS and things that they require, consume or use are purchased or leased within that budget, and they are charged for them.

Senator FAULKNER—Is this over and above the ordinary establishment of equipment and material that the GMS has or is all of their equipment done on this basis?

Mr Suur—All of their equipment is done on this basis, as it is for ministers' offices.

Mr Staun—Perhaps I can assist. All of our IT equipment is leased through our financial lease solutions group. It is then outcharged to the various groups where it is used. So the equipment that is used in the minister's offices and in the GMS is actually Finance equipment and the bill, if you like, is picked up by the corporate group as part of their departmental funding.

Senator FAULKNER—Specifically what I wanted to ask about in the period preceding, just preceding and during the last federal election campaign is whether any equipment was leased—I will use the terminology 'lease'; I think that is the correct terminology—to the GMS from the department, or additional equipment, let us say, in the six months prior to the last federal election campaign and during the campaign?

Dr Watt—Just to be clear, this is over and above what we would normally provide as part of ongoing day-to-day business.

Senator FAULKNER—To cut to the chase, Dr Watt, that is the import of my question. I want to be assured that there are no special deals that occur because of what appears to be the nature of this relationship.

Mr Suur—There was no additional equipment given to the GMS over that period.

Senator FAULKNER—No additional equipment? How are you defining additional equipment?

Mr Suur—You are asking me if, on the basis of resourcing that the GMS gets over the year, there was anything extra given to them in the period that started six months before the election and extended over the election period. Is that right?

Senator FAULKNER—That was the import of my question, yes.

Mr Suur—The answer to that is no.

Senator FAULKNER—I assume, because you are leasing it, that you must keep an inventory of equipment that is leased.

Mr Suur—Yes, we do. All our equipment is noted in an assets register.

Senator FAULKNER—I assumed you did. It sounds like it is a nominal charge.

Mr Suur—We have an assets register. Anything above a certain value is recorded on the register.

Senator FAULKNER—What is the threshold for the assets register?

Mr Suur—It is \$5,000. Individual computing equipment, of course, is less than \$5,000, but we maintain a central management database to record all equipment and where it is located. That is used as the basis for internal service charging.

Senator FAULKNER—Let us say there were 10 or 11 people working in the GMS in that period and each of them received an item of equipment valued at less than \$5,000. That would not appear on the inventory, would it?

Mr Suur—We keep a list of what equipment we own and give to people. We have a register of portable and attractive items, for example. If you wish to know what equipment the GMS has at a particular date, I can tell you. There was a question on notice last time which sought that information and we were able to provide it to you.

Senator FAULKNER—I am just trying to understand the technicalities of whether questions on notice as they are drafted are likely or not to meet the intention of the person who asked the question—that is, the intention of someone on this side of the table. Obviously, if I ask you a question about your inventory, anything below the value of \$5,000, for starters, is not going to appear on it. Is that right?

Mr Suur—No, that is not true. In addition to a formal assets register, which is a document that is kept, in a formal sense, for auditing purposes, we keep our own record of portable and attractive items that we own. That is a discipline that we have in different business groups, and we observe it in relation to ministers' officers and the GMS as well.

Senator FAULKNER—Could you provide a copy of that as it relates to the GMS?

Mr Suur—Yes, I could.

Senator FAULKNER—How often do you update the inventory? Is it on a regular basis? I assume it would be.

Mr Suur—In the light of you foreshadowing that you would ask this question this morning, I had somebody send me some information as at 31 October. They were able to derive that information fairly readily.

Senator FAULKNER—That is very helpful, and if you could provide that I would appreciate it. Could you ask them, also on notice, to provide similar information for, say, 31 July?

Mr Suur—2004?

Senator FAULKNER—Yes. You can throw in 2005, if you like. That would be good. You can provide 31 July 2004 easily, and you have got 31 October 2004.

Mr Suur—I have 31 October 2005. I have a list of what was held by the GMS as of yesterday.

Senator FAULKNER—I would like to go back to 2004. I want you to provide the end of July 2004, the end of October 2004, the one you have and, say, the end of February 2005. We can leave it there.

Dr Watt—We have taken that on notice.

Senator FAULKNER—I appreciate that, and let me thank you, Dr Watt, for the work that you have done in both of these areas, given those issues were flagged. It has probably saved a fair bit of the committee's time and we appreciate that. I have just a couple of other questions. Ms Mason, do you have our grid for the ministerial staff updated for tabling purposes?

Ms Mason—We do indeed, and Mr Miles can assist you with that.

Mr Miles—Yes, I have a paper here which details the personal staff allocation as at 1 October this year.

Senator FAULKNER—We will have a quick look at that. What is the bottom line, Mr Miles? Has the ministerial staff quantum gone up since our last round in May?

Mr Miles—It has. As at 1 October the number of positions allocated to the government was 422.6.

Senator FAULKNER—It was 407, I think, in the last round, wasn't?

Mr Miles—407.6.

Senator FAULKNER—And it is now 422.6. Would there be an increase of 15 ministerial staff in the last six months?

Mr Miles—That is a net increase of 15.

Senator FAULKNER—Are you able to quickly identify where those 15 staff have gone?

Mr Miles—The net 15 is made up of a number of allocations and some positions taken away. I have a table which might set it out—

Senator FAULKNER—The usual table?

Mr Miles—Yes.

Senator FAULKNER—That is good. Has this got any asterisks which go to special classifications or personal classifications and the like?

Mr Miles—The paper itself shows the classifications of the established positions. Any persons holding personal classifications will not be identified in the paper.

Senator FAULKNER—How many MOPS? It is part 4 of the MOPS Act, isn't it—staff with personal classifications? How many of those staff have personal classifications?

Ms Clarke—I can help you with classifications. Do you want the numbers in total?

Senator FAULKNER—Yes.

Ms Clarke—I have a document here which will assist.

Senator FAULKNER—Thank you. These are time-saving devices, aren't they? They have saved a lot of time in this committee. Are there any other documents that you want to cough up, Ms Mason?

Dr Watt—No, that is it.

Ms Mason—I think you have exhausted it, Senator.

Senator FAULKNER—Have you made an assessment? This is a serious question given that this information is now provided in a regular form. I think that it assists the work of this committee, but do you think that the utility of this has been demonstrated? You are the departmental secretary and you make these objective assessments. I would be interested to hear it.

Dr Watt—I think it is useful to have these things in a regular form.

Senator FAULKNER—I think it is helpful and I always believe it is appropriate to acknowledge it. I do not know how many hours are involved, but there are staff resources that go into this. At the end of the day, it is appreciated by the committee and I think it is helpful. It certainly makes a difference at this end.

At the moment I am covering for Senator Carr who, of course, is the official shadow minister here. I am a mere, humble backbencher and am just covering. I hope you noticed how I just slid in and filled the gap while we were waiting for him. If you do not mind waiting a moment, we will have a quick look at the documentation. So there were 33 government staff with personal classifications. The figure in May was in the high 20s, wasn't it?

Ms Clarke—It was 28.

Senator FAULKNER—Are you able to quickly identify where we find the extra five?

Ms Clarke—No. I think I will have to take the table away and do a comparison with the last table. I do not have that information in front of me.

Senator FAULKNER—You might save time and take that on notice. I suppose, Dr Watt, if we work on these documents, a minor amendment to the table would be useful in a comparison over the last estimates round.

Dr Watt—We will have a look at it.

Senator FAULKNER—I think that is probably worth doing in these documents. That would be helpful. And the establishment variances go to the detailed difference between the government personal employees table of 1 October 2005 and the similar document tabled in the previous estimates round. Is that right?

Mr Miles—That is correct—as at 1 May.

Senator FAULKNER—And the major change is because of the retirement of the Deputy Prime Minister, Mr Anderson. We will look at that in more detail and pass it to the relevant shadow minister, Senator Carr, who is now going to impress us all.

Senator CARR—Can you tell me what the current government establishment figure is?

Senator Abetz—We have just had that.

Senator CARR—I was not here. So you will be able to tell me then? You would have the answer immediately available.

Senator Abetz—You have a table.

Mr Miles—In respect of personal staff, it is 422.6.

Senator CARR—Thank you. What is the opposition's?

Mr Miles—It is 85 at present.

Senator CARR—So, under the normal establishments, the opposition is—

Mr Miles—It is set at 21 per cent and is reviewed as of March each year.

Senator CARR—So it will be reviewed in March?

Mr Miles—That is correct.

Senator CARR—Would you have an expectation of an increase?

Mr Miles—I think those figures would show that there would be an increase in the allocation.

Senator CARR—What is the number you would expect to see?

Mr Miles—I think it is in the order of three to four.

Senator CARR—Three or four. The aggregates are only taken in March, aren't they? Is there another point in a year?

Mr Miles—The Prime Minister has indicated that it will be reviewed on 1 March every year. It was reviewed twice last year—once immediately after the election.

Senator CARR—That is what I thought. Is it going to be reviewed twice this year?

Mr Miles—Not that I am aware of.

Senator CARR—Is there any reason that it was done twice last year but not this year?

Senator Abetz—It was because of the election.

Senator CARR—Because of the election?

Senator Abetz—Yes, it was reconsidered straight after the election.

Senator FAULKNER—Do we have a final decision yet on something that sounds a little petty, I suppose, but it is not really as petty as it sounds, in a way, and that is the proportionality issue? Often we end up with a fraction of a position in the opposition staff allocation, as you would appreciate, Mr Miles. I would like to see those fractions rounded up. I think I could make a reasonable case for that. I think I can make an almost unarguable case that anything above 0.5 certainly ought to be rounded up. Has any thought gone into that yet? At the moment it is not rounded up, as I understand it. That is the current status, isn't it?

Senator Abetz—I have a hunch that it is.

Mr Miles—I think anything above 0.5 is rounded up.

Senator FAULKNER—So we won that one, did we?

Senator Abetz—No, you just do not realise the generosity of this government.

Senator FAULKNER—It was not the case previously. I refer you to all the *Hansard* records of the quite brilliant advocacy that some of us engaged in.

Senator Abetz—I do not think that is right, but we will check it.

Senator FAULKNER—It certainly is. I am well aware of my brilliant advocacy. You are now saying that anything above 0.5 is rounded up and anything below 0.5 is rounded down.

Mr Miles—I think so, but we will check.

Senator FAULKNER—That is the current protocol. Is any consideration being given to rounding up anything—

Senator Abetz—Not even the tax office allows you to do that.

Senator FAULKNER—We are talking about staff allocation here, which is a little different, as you would appreciate. There is a serious point to be made here. Let us assume that anything above 0.5 is rounded up; let us assume that that is the status. That is the evidence we have; I accept that. I had thought it was still not the case. If, for example, the calculation comes out at 0.4, why not offer the opposition—if you are not willing to round it up—0.4 of a staff person? This often happens. The figures we have been given today show that the government has 422.6 staff members. If the rounding came to—whatever the figure is—

Senator Abetz—We would be looking at 21 per cent of 0.4, which in rough terms is minuscule.

Senator FAULKNER—But, as you appreciate, they are generally not whole numbers, are they?

Ms Mason—If anything above a whole number were to be rounded up that would have the effect of changing the proportion that the Prime Minister has determined. Rounding up and down preserves the 21 per cent. If you start to round up at 0.1, 0.2, 0.3, and 0.4, it would have the effect of increasing the proportion of the allocation to—

Senator FAULKNER—The proportion does not apply if it is rounded down, and it applies only once in a calendar year if it is rounded up. Under the proportionality arrangements at the moment, the opposition is operating by definition three staff down compared with the situation if you were to take 21 per cent of the government's allocation. I would argue, as I think Senator Carr was indicating, that it is obviously better to have these calculations made on a six-monthly basis. I think you can understand why I would make that argument, Dr Watt and Ms Mason. Now, as we speak, the Labor opposition finds itself three staffers down. There is a suggestion about maintaining the proportionality. I am happy to absolutely gobble up that argument, embrace it fully, have it apply and have these decisions made on a six-monthly or three-monthly basis. Then weight is right. I think I can make a pretty strong argument in response to the argument of maintaining the proportionality. Let us do that.

Anyway, you might consider some of these things, Minister. Hopefully, the department will generate some advice to you about proportionality now we know from Ms Mason how important it is and that this is a principle that is warmly embraced. Well, let us embrace it. We do not have proportionality as we speak. You have also heard me say that before, by the way, even though no-one can remember it. It is not the first time I have said it.

I regret to say, Ms Mason, that I have received some complaints from some of my colleagues about a certain matter that I want to raise with you. This goes to the issue of new franking machines which have been provided to electorate offices. These things are terrific. They are like aircraft carriers, frankly. I have one in my office. It is an enormous thing. It is huge. It is gigantic. Of course, they are virtually impossible to move. You have to stick them near a fax line and the like for downloading and all the things that I do not really understand. It is true as I understand it, and you can confirm this, that in a range of electorate offices they have actually had to buy or build new furniture for these monster franking machines to be placed in. Is that right?

Ms Mason—Mr Miles can assist you.

Mr Miles—Perhaps I can help you. I understand that in some offices there was a lack of bench space available. We were able to source a trolley, a moveable piece of furniture, which was just about the right size for the machine. I am not sure how many of those we have supplied but, where offices identified that there was a space problem, we have been able to provide that as a solution.

Senator FAULKNER—But some of my colleagues have mentioned to me—one spoke to me very recently—that they have had a special bench made in their electorate office for this enormous great franking machine. Do you know how long these franking machines are?

Mr Miles—I do not have the specifications with me.

Senator CARR—They are awfully big?

Senator FAULKNER—They are metres long, aren't they?

Ms Mason—I think they are a metre-and-a-half long.

Senator FAULKNER—How long was the franking machine that we have replaced—I think it was about 30 centimetres—with a franking machine of 1,500 centimetres?

Mr Miles—I would not have thought it was as long as that. We certainly had a problem—

Senator FAULKNER—I think Ms Mason is being very generous in saying it. There is one of these aircraft carrier-type arrangements in my own electorate office and I can assure you that it is a metre-and-a-half long long. It is bloody enormous.

Ms Mason—There is a need to balance functionality with size. I understand that the functionality of the previous postage meter machine did not meet the needs of our clients. We went through a market testing process and looked at the various models that were on offer. This one was chosen as the model most likely to meet the needs of senators and members. Where space has been an issue, as Mr Miles has said, we have managed to source a piece of furniture which is very suitable for placing the postage meter on, and is also readily movable, to meet the needs that you mentioned earlier in locating it close to facsimile lines.

Senator CARR—Why does it need to be so long?

Ms Mason—I understand that it has a feeder on one end and a tray at the other end that catches—

Senator FAULKNER—The point is that you need a minimum of a metre-and-a-half of bench space to house these things. I do not what they cost; we will get to that. But it seems to

me that there is a huge amount of expense in installing these things—new benches and everything. One of the reasons I am concerned is that, as far as opposition senators and members are concerned, there was no survey to see whether these were appropriate, whether they could fit the damn things in their office or whether they would need new furniture to be made, which some have. I have asked for some comments from my colleagues. Some have had a special bench made for them and the like.

Ms Mason—It is probably true to say that there is not a huge range of franking machines available. In assessing those that were available, our people looked at the various pros and cons of the machines, including the functionality, size and other features. This one was thought to best meet the needs of clients.

Senator FAULKNER—But you see, Ms Mason, some members and senators have been told to redesign their offices so that this beast can be accommodated.

Ms Mason—It is not compulsory to have a franking machine. Most clients find them beneficial. Where we have had issues with space, I believe state managers have worked with senators and members to either identify a suitable place within the office to place the machine or to acquire a piece of furniture which is basically purpose-built for it.

Senator BRANDIS—Ms Mason, I confess I have the same problem as Senator Faulkner. I assume I have the same new franking machine, and it is extremely big. If I may, Senator Faulkner, make this broader observation, why doesn't the department replace equipment on request rather than unilaterally. I would not have asked for a new franking machine. I was perfectly happy with my old franking machine.

Senator Abetz—There are lease arrangements with these things, as I understand it. Is that right?

Mr Miles—It is a service contract.

Senator Abetz—It is a service contract. I confess that in my electorate office the same sort of difficulties apply. We can use all sorts of adjectives hoping that the media might write it up in 'Rear Window' or 'House on the Hill' or whatever, and that is great. But, at the end of the day, it has happened. The department acknowledges that it has caused some difficulties in various electorate offices.

Senator FAULKNER—I have not heard that acknowledgement.

Senator Abetz—We will try to ensure with equipment in the future that its functionality also takes into account the space considerations in electorate offices.

Senator FAULKNER—All that is good but, with respect, I do not know that it is good enough. My question goes to why someone did not conduct some sort of survey of functionality before these monsters were purchased.

Ms Mason—In purchasing the new franking machines we certainly did take into account the number of complaints that we had received in relation to the previous franking machines, which were found to be unreliable, frequently breaking down and having to be constantly attended by electorate office staff whilst in operation. One of the benefits of the new machine is that it operates, as I understand it, quite automatically. You feed the material in one end and

it has a tray that catches it at the other. That is one of the features that contribute to its increased size.

Senator FAULKNER—How many complaints have there been? Has DOFA received complaints about these machines?

Ms Mason—About the size of them?

Senator FAULKNER—Yes.

Ms Mason—Yes, we have.

Senator FAULKNER—How many?

Mr Miles—Senator, a number of offices expressed surprise at the size of the machine when they saw it. As Ms Mason said, our state managers have worked with those offices to find appropriate places for their machines. I have to say that most of the comments we have been getting of late have been from the staff of senators and members who, once they have started using the machine, have been singing its praises. Certainly, in the first few weeks of the roll-out there were some complaints or expressions of concern or surprise.

Senator FAULKNER—Is it true that DOFA's standard response to people who say they cannot fit the machine in is to basically offer two alternatives? The office can be supplied with a mobile desk to house the machine—which I think is the point that you made, Ms Mason—or the office can be reconfigured or altered to house the machine. First of all, how many mobile desks have been offered because of these monster franking machines?

Mr Miles—Five.

Senator FAULKNER—How many offices have been reconfigured so that these machines can be housed?

Mr Miles—Again, I am not aware that any offices have been reconfigured. We may have been advising officers that we could help them work out the layout of other equipment and storage in their offices, but I am not aware of any that have been reconfigured to take the new machine.

Senator FAULKNER—How many offices have refused to take delivery of the franking machine because it is too large?

Mr Miles—I am not aware that any have.

Senator FAULKNER—One of your state managers was actually in an office when a machine arrived, and he would be aware of that. How many of these machines are so big that they are still in the cartons and have not been opened yet because no-one knows where to put them?

Mr Miles—I am not aware that any are, but I can quickly check that.

Senator FAULKNER—I am aware of some, because people have been canvassed about this. The thing is a complete debacle. It really is. How much did all this cost?

Senator Abetz—Before we get too hysterical about all this—

Senator FAULKNER—I am not hysterical about it.

Senator Abetz—How many MPs are there?

Ms Mason—There are 226.

Senator Abetz—And out of that only five have needed trolleys. So 2½ per cent needed trolleys. No offices have been reconfigured. Sure, there has been some inconvenience, but you have also heard that the new functionality has assisted staff. So, as with any change in offices, there are difficulties. Having said that, with regard to the size of it, on reflection one would like to think there may have been some other product on the market. I am not sure how many there are on the market these days. I also believe the *Hansard* record might need to be corrected—they are only 1.3 metres, not 1.5 metres, long.

Senator FAULKNER—You are right. They are 1.3 metres long, and they are 33 centimetres high, but they take 1.5 metres of bench space. Just so you know, I have had 35 complaints about them. I admit that some of them are not all that helpful. I got asked by one colleague could I please ask at estimates how many passengers the thing carried. Another one asked me whether it took off from a regional airstrip, and yet another asked me whether it could reach England without refuelling—

Senator Abetz—All right. Let us get on with it.

Senator FAULKNER—I did not take those criticisms too seriously, but there is a genuine concern. It has been expressed by not just opposition members but government senators. The amount of expense involved in this—reconfiguring offices, buying special—

Senator Abetz—You are asserting that offices have been reconfigured. There is no evidence of any office having been reconfigured.

Senator FAULKNER—Yes, there is. I have it in front of me, so I would not go down that track if I were you. A colleague of mine in the House of Representatives has had a special bench made in their office so that this monster can be accommodated. Do you want me to go into all the details? Just take it as a fact. The point is that these things are huge. Everyone knows they are huge. How much did they cost, and who came up with this brilliant idea?

Ms Mason—We are checking some things for you, but I think in summary the previous machines attracted a large number of complaints about their unreliability and their lack of user-friendliness. We undertook a market-testing process where we looked at a selection of machines. It was a small number. I do not have the number with me, but from memory it was in the order of three or four—we will check that. We looked at the functionality of the machines that were available and we looked at the needs of senators and members. The machine that is now provided is the one that was thought to best meet the needs of clients. Where there have been space issues, our state managers have worked with clients to try and find appropriate solutions by moving existing furniture within the office or by providing a special desk that is moveable to accommodate the equipment. We are doing the best we can. As I said, there is not a large selection of franking machines available.

Senator MURRAY—For my office I can report that it is big. It fits, but it is more efficient.

Dr Watt—Thank you.

Senator Abetz—It would be fair to say that the functionality aspect has been, as I understand it, appreciated by staff, albeit that it is quite sizeable.

CHAIR—Ms Mason, you are taking on notice questions about the costs of the new franking machines.

Ms Mason—Yes.

CHAIR—I am trying to find out where we are; that is all.

Senator FAULKNER—Were members, senators, electorate office staff—anyone—consulted before you entered into this contract for these new franking machines?

Mr Miles—Yes, they were. It was not a broad survey. We particularly talked to staff in offices who had expressed a lot of complaints about the previous machine and its inadequacies so that we could be certain as to what we needed to find in the new machine. A number of offices were visited, mainly in Western Australia, which is where the contract was arranged by our Western Australian state manager. By and large, as Ms Mason has said, there were limited machines available and we had to meet the new functionality requirements. This was the only one that did that.

Senator FAULKNER—What is the total cost of these new franking machines, please?

Ms Mason—We are checking that. I do not have that figure at the moment. We have people getting it. I am not sure how quickly that can be done—whether we will need to take it on notice or whether we can provide it for you during this session. If we can, we will.

Senator FAULKNER—I would appreciate that. I had assumed that that information might have been available. Has a provider been contracted to see these placed in every senator's and member's electorate office?

Mr Miles—That is right.

Senator FAULKNER—Elsewhere as well, or just in electorate offices?

Mr Miles—I think it is just electorate offices.

Senator Abetz—That is all that MAPS would be responsible for, so that is all we would know about.

Senator FAULKNER—Do we know the name of the provider? We do not know the value of the contract. Was it an open tender process?

Senator Abetz—Surely the name has been written on the side of the machine.

Senator FAULKNER—I do not know. It is your responsibility, Minister. Was it an open tender process?

Senator Abetz—I would assume so.

Senator FAULKNER—I would like more a definite answer than that.

Mr Miles—We will have to get you details on that. There were a limited number of suppliers because the supplier has to meet certain requirements dictated by Australia Post.

Senator FAULKNER—You mean that Senator Abetz's assumption might not be right? It might not have been an open tender process.

Mr Miles—Certainly we went to the market. I am just not sure of the nature of—

Senator FAULKNER—Instead of me asking a lot of questions here, can we come back to this in a short while? Would that be sensible?

Ms Mason—I have some information—not yet the cost. I was right before: four machines were assessed. All were Australia Post approved, which they need to be, and only one met the functionality requirements, which was the one that was selected. The cost is still coming.

Senator FAULKNER—So was it an open tender process, Ms Mason? I am assuming that this is a pretty valuable contract—226 or whatever it is.

Senator Abetz—Was it advertised RFT?

Mr Miles—I am pretty sure it was.

Dr Watt—We will get the details of the tender process.

Senator FAULKNER—Shall we come back to that at a later stage?

Dr Watt—Yes, let us do that.

Senator FAULKNER—Perhaps you could ask someone back at the department to delve into the files.

Dr Watt—It is already being done.

Senator FAULKNER—We will come back to it in a short while. I think that is easier than spending a lot of time on excruciating questioning. Thank you. Mr Miles sent out a note to us all on 18 July—and I suppose you had better front up here and cut to the chase. You said in your own letter, Mr Miles, that it was a competitive tendering process.

Senator Abetz—So my assumption was right.

Senator FAULKNER—You made a lot of courageous assumptions but no-one seemed to know even though we had received a letter about it. It said that the new contract had been let to Pitney Bowes Australia.

Mr Miles—That is correct, Senator.

Senator FAULKNER—Let us find out what the costs of this particular contract were. That ought to be able to be provided very quickly I think. Could you also, as quickly as possible, Ms Mason, indicate the additional furniture and any other office refurbishment or renovations that have been required. I hope that can be provided within a very short period of time—a matter of minutes—so we have the full picture.

Ms Mason—I think that the cost of the contract can be obtained quickly. In terms of the furniture and any modifications to offices, I am not sure how long that will take but if we can do it quickly I will provide it this afternoon.

Senator FAULKNER—Have any lessons been learned about this exercise? From what we know and, I think, have heard, it would have to be described as less than perfect. Have any lessons been learned as a result of the process that I think is certainly less than perfect?

Ms Mason—We always seek to learn from experiences that we have. I think I have explained that there were not a lot of choices available to us in the selection of the new postage metre. If we have learned a lesson it may be that perhaps wider consultation than took place might have been beneficial so that people understood what we were doing and why we

were doing it so that we had broader support for what was done. In terms of the cost of contract, it was \$1.3 million over a five-year period and there are also some costs for installation, training and ongoing maintenance of some \$600,000. So the total cost over a five-year period is approximately \$1.9 million.

Senator FAULKNER—What are the installation costs? Do these include refurbishment and extra mobile tables and all that sort of thing, or are they additional?

Ms Mason—From the document I have in front of me it is not clear exactly what is included, but the \$600,000 figure that I have quoted is for installation, training and ongoing maintenance. So there are three components. It is not broken down so I cannot tell you how much—

Senator FAULKNER—But I am asking whether the installation problems had been predicted beforehand—for example, the need for these mobile trolleys and the like? They had not been, had they?

Mr Miles—When we commenced the rollout our state managers were talking to officers aware of the fact that because the machine was considerably larger than the previous one some officers would need some help in identifying a suitable space for it. At that stage we had already identified that this trolley might be made available where there was no other space for the machine. The cost that Ms Mason was talking about for installation would not have included any of those costs that might have been needed, to purchase the five trolleys, for instance.

Senator FAULKNER—Were these new machines trialled anywhere?

Mr Miles—They were trialled in our MAPS office in Western Australia.

Senator FAULKNER—But not in any electorate office?

Mr Miles—I do not think so, Senator.

Senator FAULKNER—Why did you choose the MAPS office in Western Australia for a trial?

Mr Miles—The letting of the contract was managed from our Western Australian office.

Senator FAULKNER—If you can give us those figures as soon as possible, Ms Mason, that would be appreciated.

Ms Mason—So the figures you are now wanting are the number of trolleys that may—

Senator FAULKNER—I am interested in the complaints that you have received, the trolleys that have been purchased to put this whopping great franking machine on, and any refurbishments that have taken place in the electorate office and what the cost of all this has been—over and above the \$1.9 million cost for the actual purchase of the aircraft carriers themselves.

Senator Abetz—All that will be taken on notice. Is that all for MAPS?

Senator FAULKNER—That is all I have for MAPS, but I am not the shadow minister.

CHAIR—As there are no further questions, thank you very much, Ms Mason and Mr Miles, for your assistance.

[4.32 pm]

Australian Electoral Commission

CHAIR—We are now up to the Australian Electoral Commission.

Senator Abetz—Before we start, if I may, I would like to add a welcome to our new Australian Electoral Commissioner, who rejoices in the name of Ian Campbell—but not senator. Mr Campbell has many years of experience in appearing before Senate estimates committees but not in this new role. I welcome him as our new commissioner.

CHAIR—Mr Campbell, do you have an opening statement?

Mr Campbell—No.

CHAIR—In that case, we will start with Senator Carr.

Senator CARR—Welcome, Mr Campbell. We have dealt with one another over the years in many capacities.

Mr Campbell—We have indeed, Senator.

Senator CARR—I would like to begin with the comments that you made with regard to changing the electoral roll and the closing of the electoral roll. Previous commissioners have put the view—in fact for many years now—that early closure of the electoral roll, while administratively possible, may result in some persons who would normally be able to vote being unable to vote. Would you agree that a number of commissioners have made that view known?

Mr Campbell—I have not gone back to examine the words of my esteemed predecessors.

Senator CARR—In fact, in a submission to the 2001 JSCEM inquiry on the electoral roll, the AEC said:

The AEC is firmly of the view that, in the absence of any evidence to suggest that the opportunity to enrol or correct enrolment details in the week prior to the close of the rolls is being significantly abused, the procedure introduced on the Committee's recommendation after the 1983 election must be judged a success. It has guaranteed the franchise to large numbers of people who might otherwise have missed out on their votes, and has ensured more accurate rolls by guaranteeing people the opportunity to correct their enrolment details. Its elimination would reopen the door to sudden roll closes such as that of 1983, which cause the retention on the roll of a large number of out-of-date enrolments, and tend to force a large number of people to vote for Divisions in which they no longer reside.

Do you agree that that is the position that was held at that time?

Senator Abetz—The record speaks for itself on this, Mr Chairman. If he has got particular questions of the commissioner he should ask them.

Senator CARR—I am just interested to know, Mr Campbell, given that 280,000 people corrected their enrolment after the issue of the writs in 2004, how many people you estimate that a change in the roll arrangements would disadvantage?

Senator Abetz—That is very much a hypothetical question because it does not deal with the possibilities of communication campaigns encouraging people to abide by what the law in fact is at the moment, which is that most of those people, I suspect, are in fact in breach of the

Commonwealth Electoral Act and therefore these difficulties can be potentially remedied. So to say how many people will be potentially affected is like: how long is a bit of string?

Senator CARR—Yes, that is certainly true, Senator Abetz, but my question was to the Electoral Commissioner.

CHAIR—Senator Carr, if the minister wishes to answer he can answer the question.

Senator CARR—He certainly can, but I am asking the Electoral Commissioner, given that he has publicly stated a different position from what the commission has up until this point. I am asking what estimates he would have of how many persons would be disadvantaged by the changes to the electoral roll procedures as outlined, by the closure of the rolls five working days later that would be the case under the current arrangements.

Mr Campbell—I think the quote you are referring to that I made would have been in front of the Joint Standing Committee on Electoral Matters on 4 or 5 August this year—I think that was the date, on the Friday. From memory, I was asked: did I agree that early close of rolls would disenfranchise voters? I did not use the word ‘hypothetical’ about that question, as the minister did about the question today, but I inferred that it was a hypothetical question. What I went on to say was that if we were going to operate in an environment where there was a different close of rolls date to what has operated for the last 21 years—that is, since 1984—then I would want to be in a position as the Electoral Commissioner to be able to embark upon a campaign to advise people that change had occurred. And if that campaign was successful then I would argue you would have no more people disenfranchised—to use your term and not mine; I do not use the term ‘disenfranchised’—than might have occurred for those who came in last election, or the election before, after seven days.

I will give you the reason I hold that view. You have used the figure of 280,000, which is the figure that is broken down from 424,000. If you look at the breakdown of that from the 2004 election, we had 78,000 new enrolments in that seven-day period; we had 78,000 re-enrolments—that is, people who had been on the roll and their enrolment had lapsed for some reason or other because they had not followed the process through; and we had 126,000 who were change of addresses because they had either transferred interstate or transferred intrastate—those intrastate being about 96,000. Now, if a campaign is well thought through and well promulgated in the period of months running up to the election, it is not clear to me that any of those numbers in 2004—and I am not talking about people who went well beyond the seven days in 2004—would not be well aware that (a) there is election coming and that (b) they should check their own arrangements and details. That is why I hold that view.

Senator CARR—So you are saying that a campaign would be successful to collect the full 280,000?

Mr Campbell—I am saying there is nothing, to me, that tells me that it would be unsuccessful. And for your premise to be correct it would have to be unsuccessful.

Senator CARR—I am suggesting that there has been no evidence to warrant the change in the commission’s view, as stated to the 2001 inquiry. I was wondering what evidence you were calling upon. I am not aware of any evidence; perhaps you could draw it to my attention.

Mr Campbell—When you break down the 280,000 and looked at the causes—I have just given you the four major categories. If we as a commission, and indeed other interested parties, which might be people contesting elections, embark upon a well thought through campaign then, assuming the same number of people might have otherwise come in for the 2007 election—assuming there is a 2007 election—I see no reason to argue that we would not pick up the vast bulk of those if they want to come in and enrol as a new enrolment or as a re-enrolment or change their address.

Senator CARR—That is an opinion.

Mr Campbell—As is the opinion that the 280,000 would be disenfranchised. I have to say that because people are arguing that I am wrong in an opinion and they are right in an opinion. There is no evidence to say that we would not be successful.

Senator FAULKNER—What about this, Mr Campbell—and welcome, by the way, it is good to see you here and congratulations on your appointment—I was just listening to your exchange with Senator Carr and taking my mind back to the 1983 federal election, which in terms of any sort of evidentiary base is the logical place to go because that is the last election, as I understand it, where rolls closed on the day of the announcement. Didn't we have a massive problem at polling booths as a result in 1983? I am just going on my memory here, which might be flawed or faulty. That is certainly my understanding.

Mr Campbell—It is dangerous going back 22 years—

Senator FAULKNER—I accept that.

Mr Campbell—and 22 years ago I was doing other things in the Commonwealth. My memory of 1983 is that the election was called at very short notice and caught everybody on the hop, including I think one of the political parties and—as my deputy has whispered to me—the AEC. He was in the AEC about that time. The problem with using 1983 as an example is that in my understanding it is not the best example of or a comparable election to other ones. If we go back in history over the last 40 or 50 years it is the only election where there has been in effect a snap election. There was not that activity where people were anticipating the election was going to occur.

Senator FAULKNER—But it is the last one we have had experience of in relation to roll closures and the proximity of roll closures to the issue of the writs. That is the point I am making. You and Senator Carr are discussing whether there is an evidentiary base or whether this is an opinion. I am not entering into that. I have strong views on this but I am just saying to you that perhaps it might be worth reflecting on the 1983 experience. It might be worth your while having a look at that. It might be worth Senator Carr's while having a look at it too.

Mr Campbell—I am arguing the point I am putting on the basis that we have time to prepare and to inform people. I am saying 1983 is perhaps not the best example to compare it with because, as you will recall, it was an election that was a bit of a shock to the electorate at the time. It came early in the calendar year and the circumstances—

Senator FAULKNER—But the point is the rolls closed at the time of the issue of the writs. That is the point I am making. I think that is true, isn't it, Mr Dacey? You were with the commission at the time. Is my history correct?

Mr Dacey—I joined the commission in 1984. In 1983 the rolls closed on the day of the writ issue.

Senator FAULKNER—That is right. And that is the last time we have had that experience. I say nothing more than it might be worth your own while to reflect on that. I accept your point that it is a long time ago. However, it is the most recent experience we have had in the federal jurisdiction of such a situation.

Mr Campbell—I will certainly take your words on that and if the government decides to close the rolls earlier than seven days then we will take that into account in what we decide to do.

Senator FAULKNER—There may well be other experiences to learn from, because we had an absolute debacle on our hands in polling booths all around the country. It was a complete shemuzzle.

Senator Abetz—I do not think it was quite that bad.

Senator FAULKNER—It was, I can tell you.

Senator CARR—Mr Campbell, I accept your argument that it is administratively possible to close the rolls, because a clear example of that has occurred before. In your view, what is the desirability of closing the rolls early?

Mr Campbell—Let me put it to you this way: I am not advocating one way or the other. That is what I said to the joint standing committee. I was asked a question about what would happen if the rolls were closed on the issue of the writ. That is different from advocating it. I was asked my position on that. I put to you that if you look at the totality of the joint standing committee report you will see that recommendation 3 is that there be a change to enrolment procedures to go to proof of identity. I would say that, in the context of the joint standing committee considering it, irrespective of whether or not there is a problem under current legislative provisions with closing the roll, certainly I would not want to be in a position where we had extra pressure. We as a commission were pushed to the limit in processing those applications that came in in 2004 and 2001. If we had the added responsibility of changed proof of identity, which is the recommendation I am talking about, I think that would put immense pressure on the system and on the commission. I think you have to look at your question in the context of what else might be coming through. Proof of identity is the major one in my mind.

Senator MURRAY—What is the latest stage that you would want such changes to be made known to you?

Mr Campbell—From the point of view of the commission, as soon as possible. From our point of view, there could be a distinction drawn between change of address and enrolments—or re-enrolments and new enrolments. But still there is an issue there if the recommendation on proof of identity from the joint standing committee comes in. As you all know, we as an organisation move very quickly from the date the election is called with organising polling

booths and getting our casuals in—60,000 to 70,000 of them. I would not want to put the extra burden on our staff at that time of increasing the hurdle of how people enrol. If proof of identity is added in, that increases the hurdle.

Senator MURRAY—Is the answer to my question the first half of 2006?

Mr Campbell—If we assumed that the term of this parliament would run to the end of 2007, to its full term, I would want to know that and be in a position to expend money by the beginning of 2006-07. That would give the commission 12 months. I would not want to leave it until the drums were beating, towards the second half of 2007. I would want to start before then.

Senator CARR—But you know that the election has to be held in that period, unless there is a break in the simultaneous cycle.

Mr Campbell—It has to be held after 1 July 2007, yes.

Senator CARR—That is right. So it is in the second half. August 2007 through to December 2007 is your window.

Mr Campbell—If we were being very technical it could actually go into 2008.

Senator CARR—Technically, yes. You could have it at Christmas or whenever.

Mr Campbell—With the half Senate, from 1 July.

Senator CARR—But realistically that is your window.

Mr Campbell—Yes.

Senator CARR—What empirical data can you call upon—for instance, what similar types of education campaigns, advertising campaigns have you run—that would provide an evidential base for any proposition that you would pick up 280,000 people? In other words, that would be the full number of persons who in the past have demonstrated that they are likely to change their electoral enrolment.

Mr Campbell—As I think we have already worked through, we do not have evidence of a campaign of that type. Let me just point out the issue. In the seven days after the issue of writs in 2004, we had 423,000 people come in. Of that, there were a number within the division, as you know, and there were a number who had changed their enrolment because they were checking with us. Of course, we have other ways people can check, including on the internet, now—or we will; they are enhancing that, and it will come back up shortly. The point I am making is that obviously there was something that struck those individuals in that period of time, i.e. that an election was coming and they thought: 'I'd better check whether I am on the roll and whether my address is correct.' I am saying that, if that follows, then why can't it follow that, if we are clever enough—and indeed I suspect that the parties would have an interest in this as well—we can point out to people that, as you just said, an election is going to occur sometime between early August and sometime shortly after Christmas. Your window of opportunity will be sometime between late July or early August and late November or early December. If we are, if you like, clever enough in our campaign for public awareness, then I see no reason that the vast bulk of those, if they want to enrol, will not enrol.

Senator CARR—Alternatively, if you only get half the number—say we get 150,000 people excluded in that process—it might well be argued that that is about 1,000 voters per electorate who will not be able to vote. Would the commission be concerned about that sort of wastage?

Mr Campbell—I think I need to make an observation again that I made five minutes ago. There are people who currently come in after the seven days. So the seven days is an environment some people come in after. There are currently people who either come in after seven days or come in on polling day and want to vote, and we cannot find them on the roll. As you know, they go through a provisional voting process in the booth.

Senator ABETZ—Not Mr Garrett!

Mr Campbell—But I am saying here that if we change the way we think and if we change how we approach the electorate in that period—and, as I said to Senator Murray earlier, I would want to start at the beginning of 2006-07 and have a rolling reinforcement of public awareness—I just do not accept the logic that we would fail and have 150,000 missing per division.

Senator CARR—What is your estimate of how much money you will need to be successful?

Mr Campbell—We have not worked that through, because the issue that you and I are both talking about is still hypothetical at the moment because there is no government decision that this is going to occur. The report in which this is a recommendation is still being considered by government. The issue of funding it all is something that I will have to work through with my colleagues at the department of finance.

Senator CARR—So you do not have any idea at all of what an electoral campaign of this type would cost?

Mr Campbell—I am not willing to speculate on that at this stage. I do not want to show my hand to the department of finance.

Senator Abetz—Or, indeed, to anybody who might be engaged to undertake such a campaign. If we were to say, ‘We think it is going to cost X million dollars to do it,’ guess what! All the advertising agents will be putting in a big for X million dollars. So it would be quite foolish to flag that at the moment.

Mr Dacey—Perhaps I can just add something else. Since 1999 or 2000, the AEC has changed the way that it manages its electoral roll, with the introduction of continuous roll update, as you would know, which we obviously did not have before that time. We also have an opportunity, not just with a campaign but in that we currently send between four million and five million pieces of correspondence to electors or potential electors every year. If this proposal from the joint standing committee becomes law, we will be looking at all those bits of correspondence that get into electors hands to advise electors of these new procedures and processes and that there will not be that window of opportunity of that roll close period in the future.

It is more than just the opportunity of a one-off campaign; we have a continuous campaign at the moment, where we are constantly writing to electors or potential electors, and in that

correspondence we can also advise them of the revised procedures. As Mr Campbell pointed out, this is something that the AEC will be very keen to talk to our stakeholders about as well. It will not be just a role for the AEC; in this process we see that there will also be roles for other stakeholders in advising the electorate of these changes. We think that four million to five million pieces of correspondence a year is another very good opportunity to get information in front of potential electors.

Senator Abetz—What sort of franking machine do you use for those four million or five million pieces of correspondence?

Senator CARR—Was it a battle group?

Senator MURRAY—The answer is ‘a big one’!

Senator Abetz—You are right!

Senator NASH—My question relates to the federal election of 2004 in Richmond. I note that the Joint Standing Committee on Electoral Matters *Report of the inquiry into the conduct of the 2004 federal election and matters related thereto* found:

In view of... uncontradicted evidence ... that ... the misleading of voters by the Liberals for Forests how-to-vote card caused the defeat of—

the then sitting member, Larry Anthony. I also note that the refusal of the current federal member for Richmond, Ms Justine Elliot, to appear—or indeed answer any correspondence requesting her to appear—before that inquiry means that no involvement on her part can be either proved or disproved. Keeping in mind that it would surely be the expectation of voters that a candidate should not aid or abet deceptive and misleading electoral conduct at polling booths to benefit their own campaign and that the deception of Liberals for Forests how-to-vote cards effectively changed the result in Richmond, will the AEC be taking any action to investigate whether other candidates had knowledge of or were involved in the Liberals for Forests party’s deception of Richmond voters?

Mr Campbell—I will ask Mr Dacey, who was involved in the decision making on the day and around the election period, to answer that.

Mr Dacey—In relation to the complaints received on polling day regarding the how-to-vote cards, the AEC concluded—as I have pointed out before to the joint standing committee—that the cards were not in breach of section 329 of the Electoral Act. While they may have appeared to some on the face of it to be misleading, in terms of the law and in terms of the act the cards were clearly marked ‘Liberals for Forests’, there was party identification on them and it was quite clear that they were how-to-vote cards belonging to Liberals for Forests.

Senator BRANDIS—That is rubbish.

Mr Dacey—That is the position.

Senator BRANDIS—I have it here. It is not clear at all unless you look at it carefully.

Senator MURRAY—Just to clarify—

Senator CARR—You cannot have the officers spoken to like that.

Senator MURRAY—I want a clarification.

Senator Abetz—We will remember that, thank you.

Senator CARR—I have a very strong record.

Senator MURRAY—I want a clarification: Mr Dacey, when you said ‘according to law’ you were referring to the Evans and Crichton-Brown case? Is that the one you were referring to?

Mr Dacey—That is part of it, yes.

Senator NASH—Is there any other action the AEC could take under the powers available to it to perhaps investigate what individuals or groups had knowledge of this activity by Liberals for Forests?

Mr Dacey—I do not think that is really relevant to the powers we have under the Electoral Act.

Senator NASH—That is my question. I am just checking.

Mr Dacey—No, we cannot. It certainly goes to whether under the Electoral Act the how-to-vote card was misleading. We have been over the years receiving consistent advice about misleading how-to-vote cards. As I said, the view was formed on polling day that, in terms of the letter of the law of section 329, that how-to-vote card was a genuine Liberals for Forests how-to-vote card.

Senator NASH—Finally, is the AEC aware of any other untoward conduct in Richmond—say, perhaps, multiple voting?

Mr Dacey—Certainly not in relation to multiple voting.

Senator NASH—There were no multiple voting problems in Richmond?

Mr Campbell—We had a small number of people who voted more than twice. People can vote twice for various reasons—for example, their age. They submit a postal vote from the aged care home and then one of their children comes and takes them to vote on the day. So there are a number of reasons why people might be marked off as voting twice. In terms of more than twice, in Richmond were there two or three?

Mr Dacey—One case involved three marks, so that is someone voting more than twice.

Mr Campbell—In the Richmond electorate.

Senator NASH—When did the AEC become aware of that?

Mr Dacey—We became aware of that immediately after we scanned the rolls after the election.

Mr Campbell—We are in a process now with the Australian Federal Police of pursuing cases of multiple voting. We have handed a brief over to the Federal Police and they have been investigating.

Senator NASH—When did that go to the police?

Mr Dacey—I do not have the date, but it would have been shortly afterwards. I would have to get back to you on that.

Senator NASH—All right. Was it public knowledge at the time that there was this multiple voting incident?

Mr Campbell—No. We do not make those cases public. We investigate and go through a whole process with our electoral office in the state. Sometimes there will be extenuating reasons why a person's name is marked off more than once, including a polling office mistake. When we get down to it and we get to a case where we form a view that there has been the intent of multiple voting and it did occur, we then hand a brief over to the Federal Police. The Federal Police have had that brief for some time. I know that they have been actioning because I know that they have been interviewing some of the individuals concerned.

Senator NASH—So there was only one. Are you absolutely certain that voting more than twice could not have occurred more once?

Mr Campbell—In the seat of Richmond, there has been only one case that we have referred to the Federal Police and the DPP. There might have been several other cases—which I will have to take on notice—but we would have investigated and found reasons that they were not to be pursued through the courts.

Senator NASH—I am just asking in general, because obviously when there are very close races things like this can be extremely important.

Mr Campbell—We have heard the claim that there were many cases of multiple voting in the Northern Rivers. We have actually heard of it more general to the Northern Rivers, and that picks up Page as well. We go through all the rolls and see where there have been multiple mark-offs, and our figures do not concur with the claim that there were many cases of multiple voting.

Senator Abetz—Just for clarity: 'multiple voting' means more than twice.

Senator NASH—Does the AEC have a time frame by which it has to try to identify multiple voting occurrences?

Mr Dacey—If a seat is very close, that is one of the factors that we would need to take into consideration in identifying multiple voters. In identifying possible multiple voters following the 2004 election, there were, in our view, insufficient to affect the result. If the result was very close, that would be a factor that we and others would take into consideration. But, in the seat of Richmond, there certainly was not any evidence of multiple voting that came to us that could have affected the outcome.

Senator CARR—I have a few questions that have arisen from that.

Senator BRANDIS—I have the call next, Senator Carr. It might suit you for me to go next because you may wish to, as it were, re-examine.

Senator CARR—I am not the slightest bit concerned because there will be plenty of chances to prove just what a lot of nonsense we have just heard.

CHAIR—Hold on, Senator Carr. Senator Brandis, are you on the same topic as Senator Nash?

Senator BRANDIS—I am on the Richmond how-to-vote cards.

CHAIR—Please commence.

Senator BRANDIS—Mr Dacey, I take it that you are the relevant person to whom to put these questions. I want to pick you up on the answer on which I contradicted you a few moments ago. I have a copy of the Liberals for Forests how-to-vote card here, and I agree with you, Mr Dacey, that, if you read it carefully, you would have no doubt that it is a how-to-vote card for the Liberals for Forest—because that is what it says. If you read it with probably the average amount of care, the same would be true. But, surely, you know, don't you, Mr Dacey, that many electors glance inattentively at the electoral material and how-to-vote cards that are thrust into their hands by party workers. I put to you—and invite you to respond—that, surely, the proper application of the test depends on forming an overall impression of whether the how-to-vote card is misleading, not merely by analysing, having been alerted to the possibility of a problem, the text?

Mr Dacey—To answer your question: I formed an overall impression, having looked at the how-to-vote card and having received advice, that that how-to-vote card was not misleading in terms of the elector forming the opinion as to which candidate to vote for.

Senator BRANDIS—Mr Dacey, were you the decision maker?

Mr Dacey—I was the decision maker based on advice and previous advice we have had from the Director of Public Prosecutions.

Senator BRANDIS—I am not asking you about what advice you had.

Mr Dacey—I was the decision maker for the AEC.

Senator BRANDIS—Thank you, Mr Dacey. Do you accept that, in addition to text, in order to make a correct decision about whether a how-to-vote card is misleading, other issues come into account, including layout?

Mr Dacey—No, I do not agree with that.

Senator BRANDIS—Typeface?

Mr Dacey—I do not agree with that.

Senator BRANDIS—Colour?

Mr Dacey—How-to-vote cards are not prescribed as to layout, typeface or colour.

Senator BRANDIS—Perhaps you did not fully appreciate my question. My question is this. You are the decision maker. When it comes to the decision maker to form a view as to whether a how-to-vote card is misleading, I put it to you that one would have regard to the overall impression, including, as well as text, matters such as layout, typeface and colour.

Mr Dacey—In forming my view, I had to take into account whether I thought that the voter would be influenced in actually casting their vote—that it was in fact misleading.

Senator BRANDIS—Can I invite you pause there. I think you have probably just answered the question I was about to put to you. But, in fairness to you, I want you to tell us precisely the question that you answered in your own mind. In other words, what precisely was the test you applied in forming your conclusion?

Mr Dacey—The test that I applied in looking at the how-to-vote card—and I was aware of the colour and the typeface of the how-to-vote card—was that it was similar to other how-to-

vote cards, whether or not a voter reading that House of Representatives how-to-vote card for the ‘Liberals for Forests’ could in fact be confused, and that, on a reading of that card, that voter could be influenced in another way.

Senator BRANDIS—You have said in that answer twice ‘on a reading of the card’, which suggests that the only relevant consideration would be the text. But there are other considerations, are there not, including the layout and the colour? You have said yourself you had regard to those elements.

Mr Dacey—I was aware of the layout and I was aware of the text. I did not see a colour representation on the day, but I was aware that it was similarly coloured to other how-to-vote cards.

Senator BRANDIS—So do you or do you not accept that there are issues other than the text to which you ought properly to have had regard in arriving at your decision?

Mr Dacey—I took into consideration those issues in making my decision and I still stand with my decision.

Senator BRANDIS—You are not answering the question I asked you. I am putting these questions as precisely as I can. Were you aware at the time you made your decision that issues other than the text, including layout and colour, were relevant matters for that decision?

Mr Dacey—Sorry, Senator, could you repeat that question?

Senator BRANDIS—Were you aware at the time you made your decision that matters other than the text, including layout and colour, were relevant matters to making that decision?

Mr Dacey—Yes, Senator.

Senator BRANDIS—And you had regard to those other matters, including matters other than text?

Mr Dacey—Yes, Senator.

Senator BRANDIS—Including layout?

Mr Dacey—Yes, Senator.

Senator BRANDIS—Including colour?

Mr Dacey—Yes.

Senator BRANDIS—Even though you have told us, and Mr Avery told us on 7 July in Tweed Heads, that you only had access to a black-and-white copy?

Mr Dacey—That is correct. I said that I was informed that it was a similar colour to another how-to-vote card.

Senator BRANDIS—By whom were you informed?

Mr Dacey—By our office.

Senator BRANDIS—The name of the informant, please?

Mr Dacey—It would have been Mr Avery.

Senator BRANDIS—If you want to check that please take it on notice.

Mr Dacey—I will.

Senator BRANDIS—What did he you say to you?

Mr Dacey—It came through our New South Wales head office in Sydney.

Senator BRANDIS—What were you told, to the best of your recollection?

Mr Dacey—I do not have the correspondence in front of me, I am sorry.

Senator BRANDIS—It was a telephone call, wasn't it?

Mr Dacey—It was a telephone call to one of my staff

Senator BRANDIS—So you did not have a conversation with the person who had seen the how-to-vote card?

Mr Dacey—I personally did not.

Senator BRANDIS—But you were the decision maker.

Mr Dacey—I saw a copy of the how-to-vote card.

Senator BRANDIS—We have established that. So what we now know is that you saw a facsimile black-and-white copy of the how-to-vote card. Is that right?

Mr Dacey—That is correct.

Senator BRANDIS—Did you have a conversation with anyone who had seen the original of the how-to-vote card?

Mr Dacey—I personally did not.

Senator BRANDIS—Do you think that is good enough, Mr Dacey?

Mr Dacey—Yes, I do. The only other information that was not available on a black-and-white how-to-vote card was what colour it was.

Senator BRANDIS—Do you know what was said—I know this is hearsay, obviously—by somebody who had seen the how-to-vote card to the person to whom you spoke—in other words, the person from whom you got your direct information?

Mr Dacey—I am sorry: do I know what was said?

Senator BRANDIS—Let me take you back one step. How many people are there in the chain for the conveying of the information to you? It is obviously going to start with the person who has seen the physical how-to-vote card. I assume that is the local DRO.

Mr Dacey—That is correct.

Senator BRANDIS—The local DRO sends it to somebody in Sydney, doesn't he?

Mr Dacey—At the time, yes.

Senator BRANDIS—You are in Canberra, aren't you?

Mr Dacey—I was.

Senator BRANDIS—So was your informant a person in Canberra or in Sydney?

Mr Dacey—Our office in Canberra spoke both to the office in Richmond and the office in Sydney.

Senator BRANDIS—Who did you speak to?

Mr Dacey—I spoke to my officer in Canberra.

Senator BRANDIS—In Canberra?

Mr Dacey—That is correct.

Senator BRANDIS—And had your officer in Canberra spoken to anybody who had seen the how-to-vote card?

Mr Dacey—He had spoken to be divisional returning officer.

Senator BRANDIS—In Richmond?

Mr Dacey—In Richmond.

Senator BRANDIS—He or she told you that?

Mr Dacey—That is correct.

Senator BRANDIS—So we can be satisfied that there is only one intervening step—that is, the DRO or the relevant AEC officer who saw the original how-to-vote card in Richmond spoke to the man or woman who spoke to you.

Mr Dacey—That is correct.

Senator BRANDIS—Are you satisfied of that?

Mr Dacey—Yes.

Senator BRANDIS—That is what you were told, is it?

Mr Dacey—Yes.

Senator BRANDIS—Nevertheless, you went ahead and made your determination, which you have told us properly ought to have had regard to the matter of colour, not only on the basis of not having seen the document in colour but on the basis of not having spoken to anybody who had seen the document in colour. Mr Dacey, I put it to you that that is not good enough.

Mr Dacey—Well, Senator, I have made my decision. I made my decision based on advice and previous advice. And, as far as I am concerned, I could not make any other decision in relation to section 329.

Senator BRANDIS—Mr Dacey, given that on your own test, as you have described it in your own words to us afternoon, the colour of the how-to-vote card is a relevant matter and that not only had you not considered that but the person to whom you spoke had not seen the document in colour either, I am struggling to see how you could possibly have discharged your duty by properly applying that test.

Mr Dacey—Senator, I indicated that I took into consideration detail other than the text, but I did not consider, and I still do not consider, colour to be relevant to the way a person forms an opinion as to how they cast a vote—and that is what section 329 is about.

Senator BRANDIS—That is not what you said to us about 10 minutes ago, Mr Dacey. You are now changing your evidence.

Mr Dacey—No, Senator. I looked at and I was advised of issues of similarity with text and layout and colour, and I consider all sorts of issues when making a decision. But I did not think the colour of the how-to-vote card—rather, I made the decision, not that I did not think—was relevant to the way an elector forms an opinion as to which candidate to vote for.

Senator BRANDIS—If the colour of the how-to-vote card was in fact strikingly similar to a Liberal how-to-vote card then it seems to me, Mr Dacey, that either by disregarding the issue of colour you misdirected yourself or, if you considered that colour was a relevant issue but you did not consider it, your decision must have miscarried. Would you like to respond? There are two possibilities, Mr Dacey. Either colour was a irrelevant matter to which you should have had regard or it was not.

Mr Dacey—Senator, I take into consideration lots of issues, but in forming my opinion I have to take into consideration whether in my view, supported by advice, the elector when casting their vote would be influenced improperly by the how-to-vote card.

Senator BRANDIS—I know what you say about that.

Mr Dacey—I took that view and I stick by that view.

Senator BRANDIS—Of course you do, Mr Dacey—you must, as Christine Keeler once famously said of John Profumo. Mr Dacey, either colour was a relevant matter to be taken account of or it was not. Which was it, Mr Dacey? Was it relevant or was it not?

Mr Dacey—Senator, I do not think there would be confusion with the colour of the how-to-vote card in the division of Richmond because there was no Liberal candidate and therefore no how-to-vote card.

Senator BRANDIS—Mr Dacey, I just wonder why you will not answer my question. Was colour a relevant matter or was it not?

Mr Dacey—No, Senator, not to the formation of my final opinion.

Senator CARR—Did you take it into account?

Mr Dacey—I was made aware, as I have said to Senator Brandis, of the colour of the how-to-vote card.

Senator BRANDIS—But you had a black-and-white facsimile and you had not spoken to anybody who had seen it.

Mr Dacey—I had spoken to someone who had seen at. I was made aware of the colour of it.

Senator BRANDIS—You said before you spoke to somebody in Canberra who spoke to somebody Richmond who had seen it.

Mr Dacey—That is correct.

Senator BRANDIS—So you had not spoken to somebody who had seen it—is that right?

Mr Dacey—I did not speak directly to someone who had seen it.

Senator BRANDIS—Well, you did not speak to somebody who had seen it.

Mr Dacey—No, I did not.

Senator BRANDIS—So you had not spoken to somebody who had seen it and you yourself had a black and white fax.

Mr Dacey—That is correct. I have said that before.

Senator BRANDIS—With respect, I cannot escape the conclusion that you misdirected yourself with terrible consequences for the result in the Richmond electorate.

Mr Dacey—If I had to make the same decision again in relation to section 329, I would.

Senator BRANDIS—I do not doubt your good faith, Mr Dacey; I just think you made a catastrophic professional blunder.

Senator CARR—Mr Dacey, does the AEC stand by the integrity of the result in Richmond?

Mr Dacey—Yes, Senator.

Senator CARR—Is it the case that the result in Richmond in your judgment was not affected by the Liberals for Forests claims?

Senator Abetz—That has not been the questioning. The questioning has been based on section 329 which deals with publications and is limited to publications—

Senator CARR—It might do—

Senator Abetz—whereas behaviour in Richmond was without doubt deceptive because people were wearing blue T-shirts with ‘Liberal’ on them. The how-to-vote card, if held in a certain way, would block out the ‘Forests’ bit, so people when handed it—and Senator Brandis can assist like that—would see ‘Vote Liberals: making Australia a better place to live’, and being also told ‘Vote Liberal’ verbally, could easily be misled. But having said all that, section 329 only deals with publications and not how something is held and the way that people are approached and how people on polling booths are dressed.

Senator BRANDIS—I cannot ask him about that.

Senator Abetz—Exactly, because that does not come into his decision-making.

Senator CARR—Much has been made of the question of the Liberal candidacy in this electorate. There was no Liberal candidate, was there?

Mr Dacey—No. I have stated that, Senator.

Senator CARR—In fact there has been no Liberal candidate in this electorate since 1996. Is that also correct?

Mr Dacey—I cannot answer that. I do not know.

Senator CARR—I put it to you that that is the case. Since 1996 there has been no Liberal candidate. There has been nothing to be confused about with regard to handing out how-to-vote cards because there has been no Liberal candidate since 1996.

Senator Abetz—That is quite a ridiculous assertion.

Senator CARR—Furthermore, I put it to you—

CHAIR—Order!

Senator Abetz—There would be many people who have moved into the electorate since the last election who have voted Liberal all their lives. They would go to a polling booth expecting a Liberal how-to-vote card and then, when confronted with this mischievous and deceptive behaviour, would have taken such a how-to-vote card, followed it, thinking that they were voting Liberal.

CHAIR—We are now starting to debate—I prefer questions. Relating to legislation or whatever, but questions please.

Senator CARR—Was this matter referred to the Court of Disputed Returns?

Mr Dacey—No, Senator.

Senator CARR—Is it not the obligation of the National Party, if so aggrieved, to refer it to the Court—

Mr Dacey—I am not commenting on the obligation of the National Party.

Senator CARR—You have been asked whether you have referred to the joint standing committee report. Are you familiar with the minority report on this very issue?

Mr Dacey—I have read it, yes.

Senator CARR—Are you familiar with analysis of preference flows on page 368?

Mr Dacey—Yes, I have read that.

Senator CARR—It states that the majority report asserts that only 151 people were needed to alter their preferences to change the outcome in Richmond. Was it also case that the preference flows identified in this minority report in a number of other electorates demonstrated that that was most unlikely to have occurred? Would you concur with the figures that are produced in that report?

Mr Dacey—I have not examined it that closely so I would have to take that on notice.

Senator BRANDIS—The conclusion of the Joint Standing Committee on Electoral Matters by majority was that the result in Richmond was materially affected by this misleading how-to-vote card. You are aware of that, aren't you?

Mr Dacey—I am aware of what is in the report. I also aware, Senator, that the joint standing committee has recommended that the AEC looks at sections 340 and 348 as well with a view to addressing issues of misleading conduct on polling day. The act as it currently stands does not give us the right to do that and we will undertake to review those sections of the act. One other point I could add is that if those who were concerned on the day were not satisfied with my decision—and I must say that we did get the decision out quickly—they could have, if they wished, taken an injunction. That did not occur.

Senator BRANDIS—What time of day was your decision communicated?

Mr Dacey—I do not have a chronology but I am sure it was—

Senator BRANDIS—My recollection of the Tweed Heads hearings of JSCEM is that it was sometime in the middle of the afternoon.

Mr Dacey—I thought it was before lunch—around lunchtime.

Senator BRANDIS—I will check that.

Mr Dacey—I can check it too.

Senator BRANDIS—I will not hold you to that—

Mr Dacey—I am not holding myself to it either.

Senator BRANDIS—but my recollection is that it was not until the middle of the afternoon.

CHAIR—Senator Carr, do you have any further questions on Richmond?

Senator CARR—Yes, I do. Equally, if the matter had been taken to the court of disputed returns, your decisions would have been reviewed.

Mr Dacey—They would have.

Senator CARR—That did not occur?

Mr Dacey—It did not occur. They may have been reviewed but that would have been a factor that I would consider the court would take into account.

Senator CARR—I am sure there was a basis for a disputed return given what has been told to us today. That did not happen.

Senator NASH—I have a question to Mr Dacey on the determining of the nature of the how-to-vote card and whether or not it was misleading. I am just a little perplexed. It is obviously a very serious issue in general, not just in Richmond, having the responsibility of determining if a how-to-vote card is indeed misleading.

Mr Dacey—Yes.

Senator NASH—Why would the AEC require only one person to subjectively have the role of decision maker? Why not broaden the capacity to, say, three officers who could then form a majority decision? Why have the subjective view of just one individual?

Mr Dacey—That is always a possibility, but we have had similar complaints about how-to-vote cards and section 329 over several elections. In fact, the matter has been dealt with before in the High Court. I think it was Senator Murray who referred to the Crichton-Brown case. It is quite clear that the act, as it is currently constructed, is not complex in terms of the High Court decision and judgment as to how to interpret it.

Senator NASH—I would argue that, from listening today, it is indeed very complex. So perhaps the AEC might like to consider it.

Senator BRANDIS—Clarify this for me, Mr Dacey. Was the test that you applied on the balance of probabilities that an elector would have been misled or whether an elector could have been misled?

Mr Dacey—It is whether an elector, on the balance of probabilities, would have been misled in forming their judgment when marking the ballot paper.

Senator BRANDIS—To discuss this schematically, let us say that you thought there was a 40 per cent chance an elector could have been misled, you might nevertheless have said that, on the balance of probabilities, that the card is all right. That cannot be the right test, surely.

Mr Dacey—That is my answer.

Senator BRANDIS—I heard your answer. I just suggest, with respect, that you are wrong.

Senator MURRAY—It seems to me, given what has been said, that with the number of options that the government is considering—either to have how-to-votes pre-registered, which makes for ease of analysis and so on, or to clarify the law—and if the law were to specify the colour, layout, text and the presentation—because I think a point made like that is a strong point—the result of that would be that decision-making would have to be made on the spot by the DRO, wouldn't it? Because you would not be able to view a how-to-vote card in that full context at a distance.

Mr Campbell—If you are going to the issue of approval of how-to-vote cards, I think you will then be going to the issue of how-to-vote cards being lodged well before polling day rather than having them approved at 150 different locations with all of the associated administrative—

Senator MURRAY—That is one route and I accept that point. The point I am making is on the law as it stands. If the law were to be clarified with respect to the criteria that the decision-maker must take into account, including matters like colour and the actual physical object, it would seem to me that a complaint would have to be dealt with on the site.

Mr Campbell—I can understand your logic but I would really try to avoid that, because on polling day we have 150 divisions, as you know. While the debate that we have just had has been quite a vigorous debate, I would be very concerned if we ended up in an environment where we had 150 different decision-makers making decisions on the same very particular section of the act. If the issue of colour—and I hear what Senator Brandis says—is an issue then perhaps the AEC needs to be thinking about whether we have a colour scanner in every divisional office on polling day so that we can then scan them to the central point. But I would be reluctant to go to a position where we had 150 individual decision-makers on issues such as this.

Senator MURRAY—My question would then be this: if you are going to continue with the referral system, do you get a preliminary recommendation from DRO, then to be reviewed, effectively, by the final decision-maker? With respect to this case, Mr Dacey, did the DRO make a recommendation or merely pass on the complaint?

Mr Dacey—No, the DRO did not make a recommendation and we do not ask our DROs to make recommendations in relation to interpretations.

Senator BRANDIS—Mr Dacey, you said before that the DRO said to you something about the colours.

Mr Dacey—The DRO did not say it to me.

Senator BRANDIS—I am sorry—it said something that was ultimately conveyed to you by the intermediate officer about the colours. What was said to you through the intermediate officer specifically on the topic of colour?

Mr Dacey—I would have to go back and look at the notes from that day. I do not have them with me.

Senator BRANDIS—Would you please do that and take it on notice? Would you please also, in giving us the answer on notice, produce a photocopy of your note? If there was a memo to you at the time, can you provide a photocopy of the memo as well?

Mr Dacey—I can give you a chronology of what we had.

Senator BRANDIS—No, that is not what I asked for. I ask for a copy of your note, if you made one—I gathered that you said you did, because you said, ‘I would have to look at my note’—and, if there was a memo to you, a copy of that memo as well, please.

Mr Dacey—Sure.

Senator CARR—You mentioned the question of multiple voting in Richmond. How do they compare with other electorates?

Mr Campbell—We would have to take that on notice. We scan all of the certified lists in and we then check off all of those where there is multiple voting. We ask for reasons, and that includes for two or more. There was one case, as we said, in Richmond. I think you will find that there were a number of electorates where there were no cases and there were number with one or two. There were certainly no electorates where there were multiple cases of multiple voting, if I do not sound too confusing there. One in an electorate is not unusual. Ten or 15 we did not have. So you might say that Richmond, on the face of it with regard to people voting more than twice, is at least on the average.

Mr Dacey—Also, we are in the process of finalising another submission to the joint standing committee, which we do after every election. It gives the final wrap-up of both the nonvoting and multivoting processes. That would be in that report.

Senator CARR—How many fraudulent enrolments were there in the last election?

Mr Dacey—I am not aware of any fraudulent enrolments.

Mr Campbell—None that the commission is aware of.

Senator CARR—Have you had any complaints from parties, candidates or members of the public about false enrolments for the last election?

Mr Dacey—No, not that I am aware of.

Senator CARR—Over the last 10 years, how many prosecutions have there been for offences relating to false enrolments?

Senator Abetz—Some of them just get promoted to be chief adviser to the New South Wales Premier.

Mr Dacey—We do have figures for the last 10 years, but we would have to get them on notice.

Senator CARR—How many of those were the result of the AEC detecting fraudulent—

Mr Dacey—Quite a few, but we would need to get those figures for you.

Senator CARR—Can you give me an estimate of the number of false enrolments per year, per electoral division, per state and per election?

Mr Dacey—Once again, we would have to take that on notice.

Senator Abetz—Just get the Labor Party membership dates. That might tell you.

Senator CARR—We will soon establish that. There have been two separate occasions when the AEC has been asked to investigate incidents of breaches of the Electoral Act with regard to the placement of the government's industrial relations advertisements. I understand that you resolved in both those cases that there were technical breaches.

Mr Campbell—I did.

Senator CARR—How did you reach that conclusion?

Senator Abetz—On the same basis that I am sure they will reach the conclusion on Premier Peter Beattie's ad in the *Australian* which failed not only to be authorised but to have 'advertisement' written at the top. I think we all know that technical breaches occur on a regular basis. Kevin Rudd had similar errors in advertisements during the 2004 election. I think Tony Windsor also did, as did the member for Lyons in my home state. All sides of politics inadvertently make these small technical errors, and I think the AEC quite properly handles them as small technical errors, warning and advising people, and we move forward. But to try to make an issue out of this, given all the publicity that the Labor Party generated on the workplace relations ads and then to have Peter Beattie within a week make not the same mistake but a worse mistake by not having 'advertisement' written at the top of it, is not fertile ground for you to plough.

Senator CARR—How many strikes do you get before there is not just a technical breach but an actual breach?

Senator Abetz—That is hypothetical.

Mr Campbell—We take it on a case-by-case basis.

Senator CARR—So you can have two technical breaches before you get a breach?

Mr Campbell—You referred to the four-page workplace relations ad. Taking into account the circumstances of other ads—and not necessarily ones by the same individuals or parties, but just taking into account the circumstances—to my mind it was quite clearly a technical breach of section 328 of the act. It was quite clear that the ad was placed by and authorised by the Australian government, and it was marked as an advertisement. The reason it was a breach was that the authorisation was only on page 4, not on pages 1, 2 and 3. I actually took a little while to make my final decision, because on a reading of the act it was not clear to me whether the breach occurred with respect to pages 1, 2 and 3 or with respect to only two of those, because there is provision in the act for things to go over two pages and have a break. So I was very careful in the circumstances as to whether there was a breach. I then got legal advice that there was. But to my mind the intent of the act is still being met, because it was quite clear to anybody looking at the ad who had placed it. The intent of that provision in the act is to prevent anonymous advertisements. It was quite clear who had placed the ad. That is why I viewed it as a technical breach.

Senator CARR—So as far as you are concerned a key criteria is that the word ‘advertisement’ appears?

Mr Campbell—The act says that. It is not me; it is the act.

Senator CARR—I want to be clear about the criteria that you are assessing. The words ‘advertisement’ and ‘written and authorised’ must appear.

Mr Campbell—And, in the circumstances, the ad should have had ‘written and authorised’ on all four pages, but it did not. Therefore it was a technical breach, and I informed the government of the fact that I found it as a technical breach.

Senator CARR—Are any other criteria required under that section?

Mr Campbell—In terms of whether we form an opinion that it is a technical breach?

Senator CARR—Yes.

Mr Campbell—I do not have the figures with me, but I understand that in the last election there were a number from right across the political spectrum. They usually occur when a person or an organisation places an ad, puts authorisation on it but then—as in this case—does not authorise every page. To my mind, it was clearly not anything other than what has been viewed as a technical breach of the act, and I determined accordingly.

Senator CARR—Are you monitoring all government advertisements?

Mr Campbell—There are many government advertisements by both state and federal governments and departments every day across the country. We are looking at the resourcing that it might take and are now working through how we might handle that. I could not say at this stage that we were monitoring every ad placed by any Commonwealth or state department or political party.

Senator Abetz—It would be fair to say that usually you are informed of these things by overzealous opposition people or zealous government people—such as I, who drew the Peter Beattie advertisement to your attention. You would rely largely on complaints, wouldn’t you?

Mr Campbell—We rely largely on complaints, but we are now—given a number of cases that have come to our attention—working through whether or not we should do something in addition to that.

Mr Dacey—If I could give you an example, at the 2004 election we had 89 official complaints of alleged technical breaches of section 328. Of those, in our view, 28 were clear breaches, 19 were technical breaches and 42 were no breaches at all. That is an indication of the numbers that the commissioner was speaking about.

Senator CARR—I will come back to the question of those breaches, because there is a section in your latest funding disclosure report which goes to breaches. I will come to the detail of that in a moment. In regard to the question of disclosure of donations to political parties and candidates, what measures is the commission undertaking to inform donors of their responsibility for political donations?

Mr Campbell—I will ask Ms Mitchell to come up and take the bulk of the funding and disclosure questions.

Senator Abetz—Can you repeat the question?

Senator CARR—Yes. What measures is the commission undertaking to inform donors of their responsibilities to disclose political donations?

Senator MURRAY—Because I have to leave in a few minutes, could I pop in one question?

Senator CARR—Sure.

Senator MURRAY—This arises from the report of the flipside of this committee—the references committee—on Regional Partnerships. The chair, with the full support of the committee, wrote, as I understand it, to you, Mr Campbell, with respect to material which had come to its attention and asked the AEC to investigate whether a Mr Maguire, who was covered within that report, had made proper disclosure. Could you acquaint us with whether you are responding to that and taking it into account?

Mr Campbell—I have received a letter from Senator Forshaw, who is the chair of the committee. We are currently investigating that matter. There is nothing more I can say about that at this stage.

Senator MURRAY—That is all I wanted to know.

Ms Mitchell—The Australian Electoral Commission has information available on our web site. We have a handbook and forms available for donors on the web site. You are probably aware that the political party returns are due in October each year and that the donor returns are not due until November each year. Once we receive political party returns, we identify donors off those returns and write to the donors and advise them of their obligation to lodge a donor return.

Senator CARR—So there is no advertising campaign?

Ms Mitchell—Not at this point in time.

Senator CARR—Are you planning one?

Ms Mitchell—Possibly. Depending on the recommendations made by the Joint Standing Committee on Electoral Matters we may feel the need to engage in an advertising campaign.

Senator CARR—Are you considering any other form of education campaign?

Ms Mitchell—We have taken a range of things into account. One of the issues that we have looked at is whether we might engage more with parties in trying to get the message out through political parties to their donors.

Senator CARR—So it is another self-regulation?

Mr Campbell—It is self-reporting rather than self-regulation.

Ms Mitchell—Yes.

Senator Abetz—That is how it has always been, as I understand it. There has been no education campaign since its inception.

Senator CARR—It goes to the question of the accuracy of returns, does it not? That is, whether or not people are required to declare donations. It is very much a question of how

reliable the electoral returns are. I notice in this latest report that there is a reference to a considerable number of amendments to returns. Is it your view, Ms Mitchell, that there is a significant opportunity for parties and candidates to avoid public disclosures by admitting donations and then correcting the return after the public release?

Ms Mitchell—Certainly, a key issue is the date on which returns become publicly available because that is a time when many people are looking at the financial disclosure returns. But one of the beauties of this technological age is that you have a capacity to inform people when you get amendments to returns. One of the things that the AEC has undertaken is that we have a subscriber service on our web site and people who are interested in accessing the financial disclosure returns can subscribe to that. As soon as an amendment to a return is made it is placed on the web site. So, even after the date on which returns become publicly available, an email goes out to all the people who have subscribed to the web site advising them that amendments have gone up on the web site. Many of the people who subscribe are journalists and we consider the media to be a key way to provide information to the public about the financial disclosure returns.

Senator CARR—How many amendments were there made to party or candidate returns for the last year?

Ms Mitchell—I do not have those statistics with me. I will take that on notice.

Senator CARR—And for the previous year, as well—2003-04 and 2004-05. Can you provide those on notice?

Ms Mitchell—Yes I can. We gave some statistics to the last Joint Standing Committee on Electoral Matters inquiry into funding and disclosure matters. I can update those figures.

Senator CARR—Do you have any details available on the size and the nature of the amendments that are made?

Ms Mitchell—The table that we gave to the joint standing committee included dollar figures. I can update that.

Senator CARR—Is there any pattern emerging from the statistics that you have kept? For instance, are the figures consistent over recent years?

Ms Mitchell—I cannot remember the figures off the top of my head.

Mr Campbell—We can give you those figures. If there is a pattern there it might become apparent to us all.

Senator CARR—Do you take any measures to ensure the accuracy of returns?

Ms Mitchell—Yes, we do. We carry out compliance reviews. These are special purpose audits where we actually go and review the records of political parties and associated entities to ensure the accuracy of the returns that they lodge with us. We undertake about 100 audits per calendar year.

Senator CARR—What have they found?

Ms Mitchell—Sometimes they find that the returns are correct and sometimes they find that the returns need amending. Many of the amendments that are lodged by political parties are a result of compliance review activities by the AEC.

Senator CARR—The point I am raising is whether these audits have uncovered the need for serious amendment.

Ms Mitchell—Certainly, sometimes there are large dollar amounts that are missing. In terms of whether this is a deliberate activity, usually our experience is that these are oversights and omissions.

Senator CARR—In this report at page 23 there is a reference to a written refusal to lodge a return.

Ms Mitchell—Yes.

Senator CARR—Can you refresh my memory on who that is?

Ms Mitchell—At this point in time, I would prefer not to actually mention the person involved. It is a matter that is still under investigation and may be subject to possible prosecution action. Given that that is the case, it has the potential to impact on our ability to get a successful prosecution if I provide any more detail.

Senator CARR—There have been other occasions, have there not, where people have refused to issue returns or comply with returns?

Ms Mitchell—Yes.

Senator CARR—Can you refresh my memory on how many of those have occurred?

Ms Mitchell—I do not have statistics with me at the moment. Mostly in the past, though, we have actually managed to liaise with the people involved and get them to understand the importance of lodging the return. Whilst there might have been an initial refusal, ultimately we have usually managed to obtain the disclosure return.

Senator CARR—In the past, it has been related to occasions where organisations have been deemed to be associated entities. Isn't that the case?

Ms Mitchell—There have been occasions where there has been disagreement between the AEC and organisations about whether they are associated entities, yes.

Senator CARR—You have made a declaration and the organisation has disputed it?

Ms Mitchell—Yes.

Senator CARR—Is this one of the cases?

Ms Mitchell—No, it is not.

Senator CARR—So it is a separate event entirely?

Ms Mitchell—Yes.

Senator CARR—Is there only one occasion where this has occurred? It says 'some candidates'.

Ms Mitchell—There is a list in appendix 3 of the report of the candidates who, at the time of collation of the report, had yet to lodge their disclosure returns. These may also be matters that might be referred to the Commonwealth Director of Public Prosecutions for possible prosecution where they still remain outstanding.

Senator CARR—How many are still outstanding?

Ms Mitchell—I would have to get that figure for you. I would like to take that on notice.

Senator CARR—I see that the Citizens Electoral Council seems to have the bulk of the disputed ones. That is right, isn't it?

Ms Mitchell—There certainly are a number of Citizens Electoral Council candidates, yes.

Senator CARR—In fact, of the 52, 14 are Citizens Electoral Council candidates. Is that right?

Senator Abetz—I am sure the numbers speak for themselves.

Senator CARR—I am just trying to get an assessment. How many of these would you say are current? This was only tabled last week so I presume there have not been many changes to this table.

Ms Mitchell—My recollection is that there have not been many changes to the table.

Senator CARR—Are you able to indicate which of these 52 have now complied?

Ms Mitchell—No, I am not, but I can take that on notice.

Senator CARR—There are very few from the major political parties. It is mainly minority parties. Is there a problem here of administration or is it a problem of people choosing not to put in a return?

Ms Mitchell—When they have not lodged a return, it is difficult to tell why they have not lodged a return.

Mr Campbell—The hypothesis that you might be leading to—that the bigger parties or the major parties have a better administrative structure in which to deal with this—may have some validity to it.

Senator CARR—I am just trying to establish to what extent this is people choosing deliberately not to put in returns and how much of this is the result of oversight. There are a couple of members of parliament here, I notice, and I find it difficult to believe that they are not aware of the Electoral Act. But, clearly, it is a number of very small organisations. How many of these cases are where people have chosen deliberately not to disclose, have chosen not to put in a return?

Mr Campbell—I do think we could actually answer that. We would know what is happening in each of the cases. But as to then drawing a conclusion about how many are deliberate and how many are oversight, illness or other pressures, I do not think we would want to speculate on that.

Senator CARR—How many cases are you suggesting might be referred to the DPP?

Mr Campbell—We are not suggesting any at this stage.

Senator CARR—None at all?

Mr Campbell—We are not suggesting a number. We are not saying that there will be zero referrals. We are not suggesting a number of this stage.

Senator CARR—You list here in the report the reluctance of some candidates, confusion, definitional issues and the equity of rules for independent candidates. Are you proposing that there are any persons amongst this list that have refused to this point?

Ms Mitchell—I am not proposing at this stage and time that there are any in the list of candidates who have point-blank refused to lodge their return, no.

Senator FAULKNER—Ms Mitchell, could you give us your usual status report on ongoing inquiries?

Ms Mitchell—There are, in total, eight matters that I have been reporting on over the last few Senate estimates hearings. I can report that all have been finalised now. I will describe those matters, as I have done in the past.

There were issues in relation to whether certain organisations were associated entities. The first issue was whether Australians from Honest Politics was an associated entity. The AEC's advice is on the web site in relation to that. There was also an issue as to whether Fair Go Alliance was an associated entity. Advice is on the web site in relation to that. Neither of those organisations was determined to be an associated entity under the current provisions of the act.

There was also a question of whether certain organisations that were highlighted as having financial interactions with the National Party were associated entities. The AEC advice is on the web site in relation to that. It was determined that they were not associated entities.

There was an issue in relation to the Ryan FEC of the Liberal Party in Queensland in relation to allegations around Mr Johnson, the member for Ryan, and a \$10,000 loan. That has been finalised and the advice is on the web site. There was an issue in relation to the Bowman FEC of the Liberal Party in Queensland in relation to the member for Bowman, Mr Laming, and whether a gift in kind of office space had been disclosed. That matter has been finalised and the advice is on the web site. In both those cases the necessary amendments to returns that were required have been lodged.

There was a further matter in relation to the Ryan FEC of the Liberal Party in Queensland relating to a dinner organised by Mr Johnson and attended by Mr Ponting. That matter has been finalised. I had hoped to get the advice up on the web site today; hopefully it should be up there as we speak. The AEC is satisfied that financial disclosure obligations in relation to that matter have been met.

The other two issues are in relation to the 2001 federal election. One is donations to the New South Wales division of the Liberal Party and Mr Ruddock and allegations around those. The AEC has finalised consideration of that matter and, again, hopefully the advice should be up on the web site this afternoon. There was also a matter in relation to the South Australian branch of the ALP and former Senator Bolkus and whether donations in relation to a raffle had been declared. That matter has been finalised as well and also, hopefully, the advice should be up on the web site this afternoon. In relation to those two matters, the AEC is satisfied that, in the main, disclosure obligations have been met there.

There are two instances in relation to donors where disclosure obligations are not quite complete but the AEC does not believe that further expenditure of resources on those matters would be appropriate.

Senator FAULKNER—Thank you for that and thank you also for writing to me to outline a couple of those issues which I had separately raised. I appreciate that communication. Your workload must have reduced dramatically. You are not taking it easy there at the AEC now are you?

Ms Mitchell—There are always plenty of things to do, Senator.

Mr Campbell—We make sure that she has plenty to do.

Senator FAULKNER—On one other matter touched upon by Senator Carr, does the AEC actually ever institute proceedings against anyone for failure to enrol? You did not actually ask that—

Senator CARR—I did. I touched on the issue. Fraud was the question I was going to.

Mr Campbell—There have been, over time, occasions when we have instituted proceedings. Do you have a particular case in mind?

Senator FAULKNER—No. I just wondered whether there had been any. I do not know of any instances.

Mr Campbell—As the minister mentioned, we investigate and if circumstances are such that we believe the matter should be taken further then we refer it of course to the DPP to take the final decision on whether there is to be prosecution and proceedings actioned. Yes, there have been cases.

Senator FAULKNER—How many? Are you able to say?

Mr Campbell—I cannot give you the exact number. It is not a large number but there have been cases.

Senator FAULKNER—Would one of your officers there be able to assist us?

Mr Campbell—No. In the last 12 months there has been one case. That is the sort of quantum we are talking about.

Mr Dacey—We usually rely on people's compliance in this area in terms of compulsory enrolment and we find most people tend to comply. Occasionally we come across circumstances where we think it might be appropriate to refer a matter to the Director of Public Prosecutions, which we have done in the last year.

Senator FAULKNER—Do you mean that there are some you do not refer and some you do refer? I appreciate the point that you and Mr Campbell are making. You are saying that there are not many occasions when this occurs.

Mr Campbell—As Mr Dacey said, there are times when we talk to an individual and they enrol. However, if there is a case where a person, for whatever reason, wants to make a position of it and not enrol then we would consider all the circumstances of the case and then possibly refer it to the DPP. It is a case-by-case judgment.

Senator FAULKNER—Who makes that judgment?

Mr Campbell—In the case on whether we refer it to the DPP, that would be made by—

Senator FAULKNER—The case-by-case judgment—

Mr Campbell—It would be made by a senior member of the Electoral Commission, possibly me or Mr Dacey.

Senator FAULKNER—Are there any guidelines or is it a subjective—

Mr Campbell—It is a matter of the circumstances around it. There are very few we find that in the end do not enrol and we know about it. We know that there are a number of people out there who are not enrolled. The number of people who say to us, ‘I am not going to enrol,’ is very small.

Senator FAULKNER—It has happened once in the last 12 months?

Mr Campbell—In the last 12 months there has been one case where the person made it quite clear that they did not wish to enrol and we undertook investigation of it and in the end referred it to the DPP.

Mr Dacey—And that person made a public statement to that effect.

Senator FAULKNER—To the effect that they did not want to enrol?

Mr Dacey—Yes, Senator.

Mr Campbell—They have subsequently enrolled.

Senator FAULKNER—So they enrolled after referral to the DPP?

Mr Campbell—That is correct.

Senator FAULKNER—What sort of public statements are we talking about—political statements?

Mr Campbell—An opinion in the newspaper.

Senator FAULKNER—So the judgment there was brought to bear because of a public incitement not to enrol?

Mr Campbell—Yes. It got to the point of incitement, so we referred it to the DPP and they instituted proceedings. The person subsequently enrolled and the proceedings were discontinued. Of course, that latter point about discontinuance was a decision by the DPP.

Senator FAULKNER—Yes, of course. So was this an opinion writer or an opinion piece by a journalist or something?

Mr Dacey—Yes. It was a journalist who wrote an article in a daily newspaper.

Senator FAULKNER—I could easily ask you the journalist’s name. I do not see any particular advantage in doing so. I do not think it is a matter of something you would be obligated to answer if I asked, but I will not ask at this stage. You are saying that this action has been discontinued by the DPP because the individual concerned subsequently enrolled.

Mr Campbell—That is right. I presume they came to the conclusion that it was not—

Senator FAULKNER—Their opinions changed?

Mr Campbell—In effect, I had the view—which I related to the DPP, but it was their decision—that it was not an appropriate use of scarce public resources once the person had enrolled.

Senator CARR—Which candidates at the last election failed to disclose the donors and donations of amounts in excess of \$200 that they may well have received? Do we have any indication of how many persons did that? It is on page 29 of your disclosure report, ‘Unlawful loans and donations’.

Ms Mitchell—Do you want the figures?

Senator CARR—I want to know who they are.

Ms Mitchell—I do not have that information. You would like to know who the people are that needed to lodge amended returns?

Senator CARR—That is right, and which candidates failed to disclose donations in excess of \$200 and who the person was giving the money. Can you provide a full list to the committee?

Ms Mitchell—I can provide you with a list of people who lodged returns that were initially incomplete that we followed up and got amended returns from. The last paragraph on page 29 refers to a number of returns that were only partially completed and did not have all the details on them that they needed to have. We followed up with the candidates to get them to provide all of the information that they needed to set out in their return. I can provide you with the information as to those candidates were.

Senator CARR—Yes, thank you. You say in your report that any loans of \$1,500 or more from a source other than a financial institution, such as a bank or a credit union, that are not properly documented are unlawful. Anonymous donations in excess of \$200 for a candidate and \$1,000 for a party are similarly unlawful. What actions does the AEC undertake, in terms of its audit proceedings, for instance, to establish on how many occasions those matters were not properly reported?

Ms Mitchell—We do not collect statistical data on how many occasions that has occurred. What we do as part of our compliance review activity is, where we find instances of where this has occurred, seek to obtain the necessary amendment to the disclosure returns and, where that is not forthcoming, we look at whether or not prosecution action, or a referral for prosecution action, is appropriate.

Senator CARR—So where these amendments occur, I presume there is a requirement to declare who the donor was?

Ms Mitchell—Yes.

Senator CARR—Are you able to provide a list to me of where that has occurred?

Ms Mitchell—Where we have obtained amended returns? It would take some time to collate because we do not keep it in that form but I think I could probably—

Senator CARR—Can you take that as a separate question if it is going to take some time? Obviously, the data would be available. It would be a reflection in the amended return, would it not?

Ms Mitchell—Yes.

Senator CARR—But you undertook no separate investigations of your own?

Ms Mitchell—Apart from the fact that this is an issue that we look at during compliance, no. We have a standard program throughout the year.

Senator CARR—I turn now to page 31, the administration of funding and disclosure and the prosecution of breaches of the act. I understand that no disclosure matters have been prosecuted since 2001. Is that right?

Ms Mitchell—That is correct.

Senator CARR—I take it, though, that there have been a number of breaches of the act discussed with the DPP?

Ms Mitchell—Yes.

Senator CARR—On page 31 you refer to these disclosures and possible breaches of the act. Can you tell me on how many occasions this has occurred? How many cases have you discussed with the DPP but not necessarily taken up to the point of prosecution?

Ms Mitchell—Yes.

Senator CARR—Can you also provide me with a list of those cases and what the issues were?

Ms Mitchell—Yes.

Senator CARR—Are you able to tell me who was involved?

Ms Mitchell—I would have to take advice on whether that was an appropriate question to respond to.

Senator CARR—I am sure you would; nonetheless, I put it to you in those terms.

Mr Campbell—We understand the question, Senator. If we can provide it we will.

Senator CARR—I am obviously interested in that level of detail if it is possible for it to be provided. If not, I will look for an explanation as to why it cannot be provided. Could you also provide me with the advice that was received from the DPP as to why prosecution did not proceed?

Ms Mitchell—These were all verbal discussions so there is no advice in writing.

Mr Campbell—Even if we did have it in writing I am not sure that we would be able to release it.

Senator CARR—Yes, I figured that would be your answer.

Mr Campbell—We might be able to give you some generic reasons but certainly not specific advice in particular cases.

Senator CARR—Finally, on page 36 you say:

The AEC has also investigated instances where it appears from compliance reviews that donor disclosure obligations have not been properly met.

Following the previous questions I asked you, can you indicate to me the detail behind that expression?

Ms Mitchell—During compliance review activity we do not just look at whether political parties and associated entities have met their disclosure obligations but whether there is any information in what we are looking at that indicates that perhaps donors have not met disclosure obligations. Then we would follow up with those donors and send them a letter advising them that we were of the view that they needed to lodge a disclosure return and enter into whatever discussion might result between us and the donor as to whether they agree with our view.

Senator CARR—Are you able to provide me with any advice as to who was covered by that part of your report—specific instances?

Ms Mitchell—It will take a lot of going back through individual pieces of correspondence.

Senator CARR—This is one election. Surely it is readily available.

Ms Mitchell—We send thousands of letters.

Senator CARR—Are there thousands of investigations or thousands of audits?

Ms Mitchell—There are thousands of letters. They are not collated together in categories.

Senator CARR—This is out of the compliance reviews. This is work that you have undertaken. How many compliance reviews did you undertake?

Ms Mitchell—We average 100 compliance reviews every calendar year.

Senator CARR—It is an average. It is 300 or so over the last year. I am interested to know, of those 300, on how many occasions have you identified where people have failed to disclose? Surely that would be registered on your databases.

Ms Mitchell—There is no database on which we keep this information at the moment. It is all manual records. We are in the process of building the database, but we do not have an electronic record of this.

Senator Abetz—Is there anything in particular that you are looking for, Senator Carr?

Senator CARR—I am just interested to know. Was Mr Maguire one of those persons?

Ms Mitchell—I could not tell you off the top of my head.

Mr Campbell—As I indicated earlier, a letter was sent to me by Senator Forshaw as a result of that committee. I think we should leave any questions regarding those individuals in that bag while we investigate.

Senator CARR—Can you indicate in which electorates there have been failures to declare?

Ms Mitchell—It is not done by electorate. These would be in relation to donors to political parties, which would not be on an electorate-by-electorate basis.

Senator CARR—Maybe I will put something on notice if we need further clarification on that.

Proceedings suspended from 6.11 pm to 7.57 pm

Department of Human Services

CHAIR—I call the committee to order. We will commence our examination of the Department of Human Services. I welcome the officers from the department. We will commence with output 1, Core department activities.

Senator WONG—I have just been handed a bundle of questions on notice. I understand they were actually due on 8 July. A number were late. This particular pack I have just been given were received on Friday and yesterday. There are still some outstanding. Could you explain your failure to comply with the committee's request by some months?

Ms Scott—We did submit 27 per cent—just over a quarter—by the required time. I apologise for the lateness of the other answers. Another 35 per cent—more than half—were submitted within a fortnight of the deadline. We have been submitting them as we complete each of the processes. We have very few outstanding at the moment—fewer than 10. Effectively, 88 per cent have gone to the committee. Part of the reason for the delay is that we were hoping to put a number of the answers on the internet. We get lots of questions about particular payments by post code area or by electorate, and it has been our desire to have as many of the answers as possible appear on the internet. We have not been able to achieve that in all cases and we are still going through the consultative process. That accounts for the delay.

Senator MOORE—I want to clarify what exactly the process is with our responses, because we are coming to grips, as you are, with exactly how the structure has changed. Quite a bulk of the ones that I got recently, yesterday and Friday, related to Centrelink. If questions are asked to the composite departments that come under the umbrella of Human Services, do the answers that are coming to this group come from the department that they were asked of through you? Do all questions that are part of this portfolio come back through Human Services?

Ms Scott—We are part of the Finance portfolio. Six agencies fall within the umbrella of Human Services and all the answers are coordinated by Human Services and ultimately are submitted by Human Services, but often they will draw on material that is held by Centrelink or Medicare Australia. Normally, there is a consultative process involved—for example, does the Department of Family and Community Services or the Department of Employment and Workplace Relations have a different view about the correct representation of a particular set of numbers? So there is a consultative process involved.

Senator WONG—Do I understand from that that one of the reasons you are late is because you had to get agreement with DEWR about how some of the payment numbers were represented?

Ms Scott—Mainly the delay related to a desire to put as much information as we could on the internet so that information is generally available and that we could in future minimise the number of questions that are about a particular postcode area by particular payment and so on, that we could have as much information available publicly. In order to do that—

Senator WONG—Can I just stop you there, Ms Scott. There are two issues: there is what the public has and there is what Senate committees through this process require. I do not have an issue at all with things becoming public. My concern is, for example, that there were

reasonably detailed questions that I think Senator Evans and I put on about a point in time, numbers of recipients, geographic areas et cetera which have been very late and which would have been useful to us in our estimates preparation. I want to express to you my concern at the substantial delay. I would suggest to you that the explanation that we wanted to make it public really does not answer the basic issue of a three-month delay.

Ms Scott—I have noted your concern. We have almost 90 per cent of the answers with the committee. I am hoping that the remaining less than 10, I think, that are outstanding will be with the committee as soon as possible.

Senator WONG—You are still talking about a very low compliance rate with the date by which the committee has asked for answers, of 27 per cent. I accept there might be some slippage in that of a fortnight—that is probably not unreasonable. But that is still a very substantial portion which were substantially delayed.

Ms Scott—I do not think will repeat the numbers. I take the point that you have made. We will try and do better in the future. We were hoping to accelerate the process. It was well intentioned. We did not accomplish our ambition in this regard.

Senator MOORE—Do you have a performance indicator on this, Ms Scott? Your annual report is full of outcome focus and performance indicators. We talk about this issue at most Senate estimates—the process, the time, the number of questions, the complexity and all those things. I am just wondering whether within the leadership team of Human Services there is a performance indicator on the Senate estimates process.

Ms Scott—I am not aware of one. I will get someone to check, as I am sure they are doing in the background now. I think we are the department that receives the third largest number of parliamentary questions at the moment.

Senator MOORE—And your percentage of the Commonwealth budget now?

Ms Scott—We handle approximately 40 per cent.

Senator WONG—That makes sense. We are actually under asking on that basis. We will have to up it by five per cent!

Ms Scott—No, Senator, I did not actually state what proportion of the questions we accounted for. I said we were third largest.

Senator WONG—I am sorry.

Ms Scott—I wish I had that number and I would be able to see whether there is a good correlation.

Senator MOORE—Maybe you could take that on notice for this particular session next time.

Senator Abetz—But you are doing better than the previous year, when at least you didn't exist!

Ms Scott—Undoubtedly the case.

Senator MOORE—This particular portfolio is always going to be of interest, regardless of whenever the process operates, and we have this little discussion from time to time. In

particular, because of the fact that we are examining where policies are going, it is really difficult for Senator Wong when, for example, a question she asked in the area of disability support pension is particularly late. It did not seem to me to be a particularly complex question asking about numbers. We were unable to get it broken down to electorates—we are told that could not happen. Maybe we could have been told that earlier if that was a problem. In terms of the process, there could well be within the system some form of performance indicator of a certain percentage by a certain time, or even a feedback mechanism so that we could get some information between now and whenever the next round will be—I am looking desperately at secretariat to get some idea of when the next round would be—if there is a particular problem with the answers coming through.

Ms Scott—You are quite right: if we are encountering problems it would be better to inform the committee sooner rather than later. We do have a performance indicator that relates to responses to parliamentary questions on notice but not estimates questions. On that indicator—

Senator WONG—They are questions on notice—a subset, I would presume.

Ms Scott—Yes. On page 40 of our annual report, table 3, it says the target is the preparation of responses to parliamentary questions on notice in 60 days for the House of Representatives and 30 days for the Senate, and that 83 per cent of answers prepared for the House of Representatives and 92 per cent of answers prepared for the Senate met these standards. So we have got a performance indicator, but it does not relate to this. I am happy to say that I will carefully contemplate it. It is a hard one to achieve given the consultation processes involved, but I am happy to consider it and work out what we—

Senator WONG—What does that mean—‘given the consultation processes involved’?

Ms Scott—We might think we have the best insight into a particular data set but, quite reasonably, the policy departments think that they might be using a different set of data. It is very good to ensure that one department is not stating something is the true indicator and another department has another idea, so there does need to be the consultation. I think our performance could have been much better than it was this time and we will endeavour to do much better out of this estimates before February.

Senator WONG—I am sure we will have this discussion again, if not. Are all answers to questions on notice from estimates sent through the minister’s office prior to their finalisation?

Ms Scott—Yes, that is the case.

Senator WONG—When were the answers which we have just been provided with provided to the minister’s office?

Ms Scott—I will need to get that information. I do not have it on the piece of paper I have here. I will see what I can do on that.

Senator WONG—If you could take these questions on notice: in relation to the bundle that was provided to the secretariat on Friday and yesterday, when were those questions provided to the minister’s office? And, of the outstanding questions, how many of those have been provided to the minister’s office and the dates of that provision?

Ms Scott—I have got that.

Senator WONG—I assume Senator Moore may raise these but can I just ask, on the point in time data you have given us on payment types, numbers of payment types et cetera: what is the point in time date?

Ms Scott—Could you assist by telling me the particular question?

Senator WONG—It is in this bundle I have just been given. It is HS84. There were quite a number of payment types and then four sets of questions in relation to each of those. The answer says, ‘Population numbers are provided on a point-in-time basis for both years.’ Can you clarify for me what time that is? It may be somewhere in the document but, as I said, I have only just looked at these.

Ms Scott—I will see if we can find out exactly what that point-in-time reference is. My experience has been that there will be a small footnote that will tell us the answer but I cannot see it.

Senator WONG—I was trying to look for that. It does in relation to crisis payment but not in relation to the others. It would be useful to know that because it may affect what I ask you next. Are these figures averaged over the calendar year? Are they point in time as at October? Is there someone who knows?

Senator MOORE—Before we leave the issue of questions on notice and the process, I ask on notice that you do a bit of an exercise. I will take two questions, Nos 86 and 87. They are both questions that involve Centrelink data figures. They are both questions that may involve the kind of thing you said at the start about trying to get things up on the internet. Could we get a potted history of that? The questions were asked on 26 May—they were both asked in the same process. Can we get something that would trace when the data came from Centrelink, when it came to Human Services, when it went from Human Services to the minister and so on?

Ms Scott—We will see what we can do, Senator.

Senator MOORE—I think that would be somewhere in the file and it would be interesting to see. Those questions tend to be of the kind that we ask—a payment type, the data distribution across gender and location, and the kind of information that Senator Wong is asking for. It might be useful to see the process. If there is a particular reason then we can trace that through when we get the answer.

Ms Scott—I will see what we can do.

Senator MOORE—That would be good.

Ms Scott—I do know that for all these large data sets that go on for pages and pages the delay was the desire to get everyone to agree to put them up on the internet and that would be the way to go.

Senator MOORE—That is a good idea. Then it would be easy to maintain.

Senator WONG—As I recall, doesn’t the committee put them up on the internet as an answer? Admittedly, one would have to know where to go.

Ms Scott—Some Medicare data goes up on the internet. I think they do that on a fairly regular basis. The idea is that we will try to do that as much as we can.

Senator WONG—Do we have the point-in-time information?

Ms Scott—We are checking. Maybe it would be desirable to move on. We will try to deal with that as quickly as we can.

Senator WONG—You cannot answer that in the next little while?

Ms Scott—I could chance my arm, but I would prefer to give you a more definitive answer.

CHAIR—We will come back to that.

Senator WONG—Going to the comprehensive work capacity assessments, my recollection is that after the budget we were discussing the proposed new assessment process. Your department has responsibility for the comprehensive work capacity assessment.

Ms Scott—That is correct.

Senator WONG—And you have been trialling a process to pilot that. Is that correct?

Ms Scott—The Department of Employment and Workplace Relations undertook a pilot, which commenced I think in April, and was completed around late May or early June. They had 2,000 people participate in faster assessment, with the emphasis on faster referral. Four organisations participated in that trial. The point that I was making last time was that we were using some of the lessons out of that trial in our development work for the new comprehensive work capacity assessment process.

Senator WONG—Apart from that, has there been any additional trial engaged in?

Ms Scott—No, Senator.

Senator WONG—And you are currently developing that policy?

Ms Scott—That is right. We will be going out with requests for tender relatively soon. We have been out consulting with people and we have had a discussion paper out with potential providers and stakeholders for some time.

Senator WONG—Is it proposed that there be a multidisciplinary panel, or that there be a single assessor?

Mr Leeper—We will be having comprehensive work capacity assessors undertaking assessments of people's work capacity. There will be an individual assessor drawing on skills as required. We have indicated in the exposure draft that in some cases assessors will have to be allied health professionals, but they will be assessors capable of undertaking a holistic assessment of a person's work capacity and any work barriers and of appropriate referral to assessment services.

Senator WONG—If we can unpack what you have just said a little, you say it will be an individual assessor who draws on—

Mr Leeper—Assessors will be able to undertake a holistic assessment of a person's job barriers. We have indicated in the exposure draft that assessors, for the purposes of undertaking some assessments, will need to be allied health professionals.

Senator WONG—It might be quicker if you let me finish my question. An individual assessor is clearly not going to have the whole range—they are not going to be a psychiatrist plus this or that. What is the process? If I am a person undergoing a comprehensive work capacity assessment and I come to you, what is your qualification likely to be?

Mr Leeper—A couple of factors will be taken into account in an assessment. Where appropriate, there will be a treating doctor's report that provides a medical and psychological input to the assessment. Secondly, we will be requiring that the comprehensive work capacity assessors are able to draw upon appropriate skills to undertake assessments.

Senator WONG—What does that mean?

Mr Dolan—They will have to demonstrate to us in their bids to undertake assessment work that they have the requisite skills to make accurate assessments. They have to demonstrate to us that they will have the skills on board in their organisation to be able to draw upon them to undertake assessments.

Senator WONG—And 'draw upon them' means that, in the tender process, you are going to want a firm or an organisation which has the capacity for the individual assessor to draw on other people's expertise within the organisation?

Mr Dolan—As appropriate, yes.

Senator WONG—What does 'as appropriate' mean?

Mr Dolan—To undertake an accurate assessment. We are requiring that assessors undertake accurate assessments of people's work capacity. To achieve that, we will be expecting them to draw upon skills as appropriate to achieve that task.

Senator WONG—To be frank, that is rhetorical. I am asking specifically what you will require a particular organisation to have. For example, if they are going to assess people who may or may not have mental illness issues, will they be required to be able to draw upon a psychiatric opinion or not?

Mr Leeper—The skills required for the comprehensive work capacity assessors will be dependent on the nature of the assessment that needs to be made.

Senator WONG—I understand that.

Mr Leeper—If that is the case, it is not coming across in our answers perhaps. There are some relatively straightforward assessments that may be made that relate to work force disattachment. For people who are applying for a disability support pension, we want to make sure that there is a full-blown medical assessment, including treating doctors' reports. I am trying to describe a spectrum, which is what Mr Dolan is trying to describe. Where an organisation or an assessor strikes a situation where they do not have the personal professional skills to evaluate, our expectation is that their provider will link with other professional support as needed.

Senator WONG—And I am asking what the baseline is for that. Let us use the example of a person who has a mental illness. How will you ensure that they are referred to an assessor with the appropriate skills to assess them, or are you assuming that all people undertaking the CWCA, as I think it is called—

Mr Dolan—Yes.

Senator WONG—will have the ability to deal with somebody with that particular condition?

Mr Dolan—It is the latter. We require comprehensive work capacity assessors. They will have the skills and expertise to undertake assessments of individuals. So they will be expected to have within their organisation people with the skills to undertake assessments of people with mental illness. They will have to demonstrate that to us in their request for tender—in the bids.

Senator WONG—So anyone who is granted a tender is going to have to be able to demonstrate that they have access to psychiatric opinion?

Mr Dolan—Yes, they will have to demonstrate to us that they can access skills to make appropriate assessments. We are asking them to tell us how they will undertake the assessments.

Senator WONG—You see, that is not an answer to my question. I suppose what is underneath it is this: is it the department's view that, for example, access to psychiatric assessment will be a necessary aspect of undertaking an appropriate assessment?

Mr Dolan—I think there is an expectation that they would have to have that, but, as I said, we are asking the organisations to inform us how they are going to do it. There is an expectation that they may have those people on board. But we are not being—

Senator WONG—You keep saying 'they may have'. Do they have to have them or not? You keep saying to me that they will have to have the capacity to assess an individual. Individuals will vary. There will be a range of people presented for the CWCA. What I am trying to work out is whether there a baseline requirement that an organisation that successfully tenders will have to have access to, for example, psychiatric assessment.

Ms Scott—I will see if I can help. One of the organisations that is within Human Services is CRS Australia, which used to be called Commonwealth Rehabilitation Services. They have told me that, even if clients present with a bad back or a bad arm, often it can be the case that the person has low-level depression or anxiety.

Senator WONG—Correct.

Ms Scott—I would not want to be quoted on exactly this number, but I think it is around 40 per cent of their clients, even if they are not identified as having these conditions, often present with more than one issue. The experience of their professional rehabilitation officers—they might include an occupational therapist or a therapist in another area such as a physiotherapist—is that, provided they can call on a multidisciplinary team, they are able to assist clients. Usually these people are very experienced in their field. We would be ensuring that any successful tenderers have to demonstrate their capacity to assure us that the appropriate assessments would be made. One of the interesting aspects of the trial process was that some participants in the trial used two people to do the interviews; others used one person. Some involved disability officers; others involved doctors. We have looked at how we can ensure that the right assessments and referrals are made. We are going to ask that people have access to appropriate multidisciplinary teams.

Senator WONG—Do you have any criteria for what would constitute appropriate multidisciplinary teams?

Ms Scott—We will have guidelines and we will be setting out some basic conditions in the request for tender.

Senator WONG—Can you tell me what they are?

Ms Scott—The request for tender is not public yet. We anticipate that existing providers in Centrelink and in Health Services Australia and in CRS will make up a very large segment of providers but we will be going out to the market to see what private sector interest there is in providing this service. There are private sector providers providing some of these services either in the states, in the insurance business or in private work, and we will be testing the market to see—

Senator WONG—I understand what you are saying to me but I am asking a reasonably specific question: what are the criteria that you say are required to ensure an appropriate assessment in terms of access to multidisciplinary skills?

Ms Scott—We could read out what we had in the exposure draft but we have not got the request for tender finalised.

Mr Dolan—What we said in the exposure draft was that we would be intending to evaluate organisations against selection criteria. The first criterion was demonstrated performance in the delivery of CWCA or similar services. We are asking potential organisations to provide information about their performance in delivering CWCA or similar services, including performance levels and outcomes, and describe how the achievement of these performance and outcomes demonstrates an ability to deliver CWCA services. We are purchasing expertise and experience from providers.

Senator WONG—I understand that. I am asking whether there are going to be some baseline criteria, such as having to have access to psychiatric services or occupational therapist services—whatever the particular expertise is. I am trying to clarify whether that will be a requirement or whether it is not necessarily a given that the tender document will not specify the requirement to be able to access such service.

Mr Dolan—If a provider is unable to demonstrate that they will have the appropriate skills on board then that determines the success—

Senator WONG—I am asking you what you say the appropriate skills are.

Mr Dolan—They will be skills that they are telling us that they provide. We have stipulated—

Senator WONG—No. This is a circular discussion. I keep asking you, 'What are the appropriate skills?' and you keep saying to me, 'The skills that are required to make an appropriate assessment.' That is not an answer.

Mr Dolan—Senator, I take your point. But the point we are making is that we are purchasing outcomes. We are implementing comprehensive work capacity assessments to deliver quality assessments of the work capacity of individuals through providers that can refer those people to the appropriate services. We are purchasing outcomes. We are not

prescribing the precise inputs of the people that undertake those assessments. I think it would be expected that, in demonstrating to us that they can deliver those outcomes, a potential provider will have to demonstrate a capacity for those inputs and the requisite expertise in, and strategies through which they train and supervise, their staff. But we are not prescribing inputs. We have said that for medical assessments that require a medical incapacity rating the assessor will have to be an allied health professional. As a general rule, we are seeking to purchase outcomes; we are not going to the root of prescribing inputs.

Senator WONG—On that basis one could envisage that someone might be successful in a tender even if there is not the skill for psychiatric assessment within their organisation.

Mr Dolan—There are two elements to that. First of all, if they can demonstrate to us that they can deliver those outcomes then they might be successful.

Senator WONG—Without—

Mr Dolan—They would have to demonstrate the capability. They would also have to do—

Senator WONG—How would they demonstrate the capability to undertake a psychiatric assessment without having the skills?

Mr Dolan—In their tender they would have to demonstrate that they could provide high quality assessments. Secondly, we have made it very clear in our exposure draft that we will be monitoring the performance of comprehensive work capacity assessors in terms of the outcomes they achieve. We are making it very clear that we are purchasing outcomes and that we will be closely monitoring the outcomes they achieve to ensure that we are getting high quality assessments. We are purchasing outcomes and we are measuring those outcomes.

Senator WONG—Your focus is on the end point. It is therefore perfectly feasible on the basis of what you are saying that the tender document would not require any particular mental health skills or expertise within an organisation in order for it to be successful.

Mr Dolan—If I may, I will make a couple of points in response to that. In the exposure draft we have indicated that providers must—

Senator WONG—Are you answering my question?

Mr Dolan—Yes, I am. You have asked me: do providers have to have appropriately skilled staff? The answer is that we are making it very clear in the exposure draft that they have to have in place appropriate skills, frameworks, mechanisms, strategies and supervisory rearrangements—which by inference require supervision by a skilled person. They have to demonstrate to us that they will have those mechanisms in place. Secondly, in cases where a person requires a specialist assessment—for example, psychometric testing—we have indicated in the exposure draft that we will allow assessors to refer people for specialist psychometric testing.

Senator WONG—I am not asking about psychometric testing; I am asking about mental illness particularly. The fact is that mental illness is often overlaid on physical incapacity. When a person has not been diagnosed previously by a treating doctor, how are you ensuring that your assessor will be able to recognise that they have a mental illness? Are you going to ensure that?

Mr Dolan—There are essentially two strands by which we will be assessing prospective tenderers and service providers of comprehensive work capacity assessments. One is their ability to coordinate the process of doing the assessment. The second would be their capacity to source relevant professional expertise to make sure that the appropriate assessment is done to recognise the circumstances of the individual that is being assessed. So there are two jobs. We do not expect every service provider to have a multidisciplinary panel in-house. But they do need to have, and to convince us that they have, the ability to recognise multiple facets of work force disadvantage—including, perhaps, mental illness—and to source, as part of their offer, relevant professional expertise when required.

Senator WONG—Will there be any accreditation required as a condition of gaining tender?

Mr Dolan—Yes. We have made it very clear in the exposure draft that, for example, a comprehensive work capacity assessment that requires a medical impairment rating will have to be undertaken by an allied health professional. So accreditation will be required.

Senator WONG—Who is doing the accrediting?

Mr Dolan—They have to demonstrate to us that they have accredited staff undertaking assessments and we will be monitoring closely.

Senator WONG—So accredited by whom in particular?

Mr Dolan—By the appropriate body.

Ms Scott—The relevant allied health body, whatever that is—physiotherapists, occupational therapists or whatever. I do not know if this would help you but I did mention earlier that CRS Australia's experience is that, even when people present with a physical condition, often that—

Senator WONG—Yes, I am aware of that.

Ms Scott—I wondered if you would see any benefit in having CRS Australia explain how they currently deal with the process whereby people have multiple conditions that are not always diagnosed by their treating doctor. It might assist you to see that experienced, well-trained, allied health professionals can often bring to the assessment that sort of multidisciplinary aspect that I think we are trying to convey to you in our answers.

Senator WONG—That is a kind offer, Ms Scott. I may seek a briefing when your tender document comes out but, I have to say, I am rather pressed for time this evening, so I might move on. Just remind me, the purpose of the CWCA will be to stream people into appropriate services. Is that correct?

Ms Scott—Yes.

Senator WONG—But the actual entitlement issue as to which payment they are on—

Mr Dolan—The decision around a person's income support payment rests with Centrelink, but their decision will be informed by the comprehensive work capacity assessment.

Senator WONG—Where does it fit in the process? Let us say that I am an applicant for an income support payment and I wander along to Centrelink. Do they then refer me for a CWCA and then make a decision about which income support payment I should be on?

Mr Dolan—Let me explain. For example, if you were a new claimant for a disability support pension you might come up to a Centrelink office, unless your situation is manifest and you are obviously qualified or not qualified for a disability support pension, then under current arrangements a Centrelink officer will refer you for a work capacity assessment. Under the rules of the disability support pension, a person has to meet hours of work and also a medical impairment. The assessor would assess the person's work capacity and medical impairment and send the assessment to Centrelink. The Centrelink income support decision maker will then make a decision over the person's eligibility for DSP based upon the comprehensive work capacity assessment.

Senator WONG—But the second consequence of the CWCA is, using the DSP applicant as an example, whether I am referred to the Job Network or to disability open employment services. Is that correct?

Mr Dolan—Yes. One further difference is that under the current arrangements the assessor makes a recommendation as to whether a person should go to Job Network or whatever and that recommendation goes to Centrelink. Centrelink then refers the person. Under the new comprehensive work capacity assessment regime, the CWCA will directly refer the person to that service. The advantage of that is faster engagement and earlier intervention.

Senator WONG—How are you dealing with the Privacy Act aspect of that process; for example, disclosure of someone's medical condition or illness to Job Network providers?

Mr Dolan—We have dealt with that in the exposure draft and we will clarify it further in the request for tender. There are strict guidelines around privacy—around access to aspects of a person's report. The referred service provider will not be able to see aspects that they do not need to see; for example, the medical impairment rating. So we focus very much on privacy issues.

Senator WONG—What about the fact of a mental illness? Is that in or out in terms of what can be disclosed?

Ms Scott—Did you say mental illness?

Senator WONG—Yes, I did.

Ms Scott—It is a little hard to hear.

Senator WONG—Yes, it is. Both Ms Scott and I speak a little quietly. This room is always bad, actually.

Mr Dolan—I think the overall principle is that the service provider will not be seeing any information that is not necessary for the purposes of arranging a service for the individual. Obviously, in some cases if there are issues that they do need to know then they will be informed about that. The general principle is that we are very much guarding the person's privacy, so the service provider does not see details they do not need to see. Further details on protection of the person's information will be in the request for tender.

Senator WONG—Is it DEWR that would provide the policy framework to you in terms of which people would be streamed into Job Network or DOES?

Mr Dolan—That is right. The Department of Employment and Workplace Relations oversees the Job Network and so they will be providing to us and to CWCA the criteria to assist in streaming people into services. Our role in Human Services is to ensure that there are adequate and appropriate training arrangements so that CWCA providers are aware of the service options available to people so that they can make the most appropriate referral.

Senator WONG—Has DEWR provided an outline of that already?

Mr Dolan—Those issues have been worked through in consultation with the department.

Senator WONG—Let us talk about people with a disability. Is it the case that people who have a lower level of incapacity are likely to be referred to the Job Network, reserving the Disability Open Employment Services to people who are regarded as having a high level of incapacity?

Mr Dolan—You would need to refer those questions to the Department of Employment and Workplace Relations.

Senator WONG—Are you proposing that there be an assessment tool?

Mr Dolan—No. We are prescribing outputs. In the exposure draft we prescribe the report we expect the assessor to provide. We are not actually providing an assessment tool.

Senator WONG—How, therefore, are you going to ensure consistency across a whole range of public and private providers across the country, presuming some private sector people gain the tender as well?

Mr Dolan—There are a couple of things. First of all, we will be providing service guidelines—and we have indicated this in the exposure draft—to assist comprehensive work capacity assessors to undertake their assessments. It is not necessarily a tool—it depends what you mean by a tool—but more like guidelines. With the implementation of the new initiative we will be monitoring very closely decisions about assessments and referral patterns and cost providers. We will be monitoring very closely the implementation of the initiative to identify the thing that you have been identifying—any inconsistencies in assessments.

Senator WONG—Have you finalised what data set you will be looking at in your quality control or monitoring process?

Mr Dolan—We are working very closely with the Department of Employment and Workplace Relations to do that. In the exposure draft we have indicated some of the key performance indicators that we will be using, which relate to efficiency, effectiveness and quality. We have specified the key performance indicators and we are working with the department.

Senator WONG—Briefly, what sorts of skills and qualifications would you envisage falling within that allied health professionals category?

Mr Dolan—Without being prescriptive, it could include occupational therapists, medical doctors, psychologists and a range of other skills.

Senator WONG—What about registered nurses?

Mr Dolan—Yes, it could include that. The purpose we are achieving is purchasing outcomes.

Senator WONG—So you are not prescribing any minimum level qualification?

Mr Dolan—We are asking providers to prove to us that they can deliver outcomes. We are telling providers that we will be monitoring their performance very closely in achieving quality outcomes.

Senator WONG—Yes, I understand that. So you are not requiring any minimum level qualification?

Mr Dolan—We have indicated in the exposure draft that there will be minimum skills criteria. We have indicated that for certain assessments key staff, allied health professionals, will be required and we have indicated in the exposure draft that we expect providers will have the strategies for ensuring, for example, that personnel are trained and able to take assessments.

Senator WONG—Trained in undertaking assessments. But I am asking whether there is a minimum level qualification which you will require or not.

Mr Dolan—We said allied health professionals.

Senator WONG—What does that mean?

Mr Dolan—Occupational therapists, medical doctors—

Senator WONG—I am not sure that a medical doctor is allied health. Is there a minimum level of qualification or not? Would an enrolled nurse be able to be an assessor?

Mr Dolan—Yes, I believe so.

Senator WONG—A physiotherapist?

Mr Dolan—Yes, subject to supervision. As I said, we are requiring providers to demonstrate to us that they have the supervisory and management arrangements in place to have appropriate assessments.

Senator WONG—I understand that. How are you going to deal with it in regional areas? For example, I visited Tasmania recently, and there is a difficulty in easily accessing psychiatric services in particular areas there. How will you deal with that?

Mr Dolan—We have indicated a couple of strategies in the exposure draft. First of all, in the exposure draft we indicated that we are setting a fixed priced for standard assessments. We also indicated that we will be seeking from prospective tenderers a loading—that is, a loading to provide services in remote areas, which recognises the high cost of delivering services in remote areas.

Senator WONG—Have you indicated the fixed price?

Mr Dolan—We indicated in the exposure draft that we will be paying in the range of \$180 to \$230 for a standard comprehensive work capacity assessment.

Senator WONG—How does that compare with the current assessment process in terms of cost?

Mr Dolan—It will be more.

Senator WONG—What is the current cost?

Mr Dolan—It varies, but this is a higher amount. That information is held by the Department of Employment and Workplace Relations, which has the contracts.

Ms Scott—However, we are confident that we can say that the amount that, on average, is available is higher than that which is currently available.

Mr Dolan—That is right. In terms of non-remote areas, we are going with a flat price.

Senator WONG—So you pay a loading for regional areas.

Mr Dolan—And we shall be seeking bids from the private tenderers for additional loading to encourage them to work in remote areas. We also have our existing DHS agencies—Centrelink, CRS and Health Services Australia—to provide services in those areas.

Senator WONG—You mentioned that you envisaged, for example, obtaining a treating doctor's report. I want to explore what the department's approach will be to potential conflict between the assessment of the assessor and the advice of the treating doctor.

Mr Dolan—The assessor will be undertaking an assessment of a person's work capacity and job barriers taking into account the treating doctor's report.

Senator WONG—But I have seen many doctors' reports in a number of legal contexts which express a view about whether someone can work for a certain number of hours a week. Do I therefore understand that to mean that a treating doctor could indicate, 'I do not believe this person is capable of working 15 hours a week,' but the assessor could come to a different view?

Mr Dolan—That is possible, but the assessor would have to demonstrate why they had made that judgment. That judgment would have to be defensible.

Senator WONG—How would the applicant in that circumstance deal with disputing that decision?

Mr Dolan—We spoke earlier about the example of a person claiming a disability support pension. If the individual was disputing the comprehensive work capacity assessment—that is, they thought that they did actually qualify for a disability support pension even though the comprehensive work capacity assessor said that they did not meet the criteria—then, as now, there will be mechanisms through the appeals mechanisms of the Social Security Appeals Tribunal and what have you for the person to contest that.

Senator WONG—I go back to your answer that it is possible that an assessor could come to a different view to the treating doctor. I think you said that the assessor would have to explain their view. To whom would they have to demonstrate their opinion? Please keep your answers short. I am asking: if an assessor comes to a different view to the treating doctor, which you have agreed is possible, do they have to justify that to anyone?

Mr Dolan—Our expectation would be that a CWCA assessor who wished to disagree with a treating doctor's report would, at a minimum, discuss that with the doctor and challenge the doctor's assessment before reaching a full conclusion. So our expectation would be that there would be consultation.

Ms Scott—There are I think 18 pages of documentation currently available in the public domain about comprehensive work capacity assessments, so I think Mr Dolan is doing quite

well to try and condense it as briefly as he can. If it would assist the senator, we could get the 18 pages currently available tabled and that might assist in terms of cutting to the chase a little more.

Senator WONG—I am happy for you to table that if you wish.

Senator Abetz—Yes, but only if it assists the process. The offer has been made if it assists. If it does not assist then I would not bother.

Senator WONG—Yes, I am happy for it to be tabled. In terms of your outworking of the DEWR trial, did the situation arise where the work assessment differed from the treating doctor's report or medical certificate?

Mr Dolan—I would have to take that question on notice. I am not aware of the number of instances.

Senator WONG—The answer you gave earlier, that it was theoretically possible that the assessor would come to a different position from the treating doctor, would apply in relation to a doctor's report or even simply a medical certificate? Is that correct?

Mr Dolan—Are you saying that the assessor could have a different opinion?

Senator WONG—To what was expressed on the medical certificate.

Mr Dolan—That is possible, yes.

Ms Scott—Certainly, my discussions with some of the participants in the trial was that there were times when they had a different view to the treating doctor. That occurs now as well. Sometimes the disability officer within Centrelink contacts the treating doctor to explore why there is a different assessment.

Senator WONG—My recollection of the DEWR process was that there was a review panel above the assessor.

Ms Scott—That is correct.

Senator WONG—In those situations where you had a conflict between an assessor's opinion and, say, a medical certificate or a report from a treating doctor—and you may need to take this on notice—was that matter then determined at the review panel level?

Ms Scott—Given that DEWR conducted the trial and our organisations were participants in the trial, I think that question might be best directed to the Department of Employment and Workplace Relations.

Senator WONG—Ms Scott, you told me I think on the last occasion that you analysed the results of that study. I am happy for you to take it on notice.

Ms Scott—It is simply that the trial was conducted by another department and some of our agency were participants in the trial. I think they are only a day away, so it would be best to direct that question to them. I would not want to inadvertently give you the runaround on this answer.

Senator WONG—What you would envisage, therefore, is a position where the medical professional's opinion in a report or a medical certificate would be only one factor that the assessor will take into account. Is that a reasonable construction of your answer?

Mr Dolan—For example, a person could be in a wheelchair and be wholly disabled but able to work at skilled office work. You could have situations such as that. I would also note that these assessments have been in place for some time. It is not the first time that assessments of this nature have taken place. The whole reason why we are having assessors undertake assessments is to take a holistic view of a person's capacity, taking into account their medical condition. It is quite possible that you will have situations such as in the wheelchair example where someone has a high level of disability but is assessed as being able to work if their condition is stabilised.

Senator WONG—The assessment by the assessor will be relevant for determining whether or not an offer of suitable work has been made?

Mr Dolan—Yes—an assessment will assess a person's capacity for work.

Senator WONG—Does that mean, for example, if an applicant is assessed as being able to work more than 15 hours a week, the treating doctor says that is not the case but the assessor disagrees with that and goes through the process which you have described, that Centrelink would rely on the assessor's opinion to determine the obligations of the particular applicant and whatever work obligations et cetera apply?

Mr Dolan—That is why we are paying the assessor to do the assessment—to make that assessment.

Senator WONG—Would that theoretically mean that a person's medical certificate that says they cannot work, if they refused to take a job after being determined by the assessor as being able to work, could be breached by Centrelink?

Mr Dolan—That latter bit is a question for the Department of Employment and Workplace Relations.

Mr Leeper—I stress, though, that it is not automatic. A CWCA assessor may reach the conclusion that they believe a person is capable of 15 hours or more of work per week, but the final decision rests with Centrelink for exercising that decision around income support. The purpose of the comprehensive work capacity assessment is to test an individual's ability to undertake some form of labour market activity but, certainly in those areas where it relates to income support decisions, those decisions rest only with Centrelink officers. Their decision is under the Social Security Act. They cannot be—

Senator WONG—Delegated to assessors.

Mr Leeper—The CWCA assessor may make a finding, but it is the Centrelink officer who would make the final decision as it relates to income support matters.

Senator WONG—What proportion of Centrelink decisions currently differ from the assessment decisions?

Ms Scott—We have Centrelink officers here. We will see if someone can find that information.

Senator WONG—I am happy for you to take it on notice. I am just trying to work out the difference.

Ms Scott—We are comfortable to take that on notice. We will do that.

Senator WONG—The situation I indicated is quite possible under this process, isn't it—to have an assessment which is not consistent with the treating doctor's opinion which is then relied on by Centrelink for the purposes of income support categories and mutual obligation requirements, including breaching?

Ms Scott—My discussions with Centrelink suggest that there are times now when the treating doctor will indicate that a person is not able to work and they consider the person to be eligible for a disability support pension, but, when the person is subject to assessment, that is not necessarily the conclusion reached by, for example, Health Services Australia. Centrelink currently have to make judgments when a treating doctor says one thing and the assessment process says another. Those situations arise now; I think they will arise in the future.

Senator WONG—Mr Dolan, you referred to the Social Security Appeals Tribunal review or appeal mechanisms from an assessment. Are there any changes envisaged to that process?

Mr Dolan—No.

Senator WONG—With the concurrence of the chair, I wonder if I could impose by bringing Centrelink up the order to ask them a few questions. Then I will be finished.

Senator Abetz—We are here to help.

Senator WONG—That is not something I have often thought, Senator Abetz. Mr Whalan, last time we were discussing the script for the voluntary referral to the Job Network. You have probably seen some press on this. A number of members of parliament have been approached by constituents who have received letters from Centrelink in which it is suggested that there may be consequences for failing to attend an appointment which is in fact during working hours. Can you explain to me how that has occurred, or what has occurred, from your perspective?

Mr Whalan—We do have arrangements at the moment where sole parents or partnered parents, for example, either through us ringing out to them or through them coming in for an interview or approaching Centrelink, are offered the opportunity of being engaged with a Job Network member. That is a voluntary offer.

Senator WONG—Do you have a standard letter for requests to attend an appointment in this context?

Mr Whalan—We have a standard script for people who phone in. Where an individual walks into an office, there would be advice to staff about the conversation that they ought to have with that individual. The engagement is more likely to be by phone than by letter.

Senator WONG—Do you have any examples of those letters?

Mr Whalan—I do not have them with me, but there are standard letters.

Senator WONG—Could you take the provision of those letters on notice, please?

Mr Whalan—I can.

Senator WONG—I am particularly interested in the ones sent to parenting payment recipients, but if there are letters for people who are on DSP then obviously I would like to

see those as well. Is there more than one version or is there a standardised version across Centrelink?

Mr Whalan—Often letters are made up of a combination of issues. If we were writing to you, we might write concerning more than one issue at a point in time. The letter would be made up of a series of paragraphs; I will give you the paragraphs that are relevant to engagement with a Job Network member.

Senator WONG—I presume you are aware there was some press on the weekend about this?

Mr Whalan—Yes.

Senator WONG—Can you explain what was asserted—that is, that a person who is in fact working has been required to report into Centrelink for a number of reasons. Can you explain how that situation has occurred?

Mr Whalan—Without going into the details of the individual case—I can talk generally about people in those circumstances—we require people who are on parenting payment to engage with us at least once a year. There will be occasions when we are approaching every person on parenting payment asking them to come in to engage with us. If, for example, they are working, we often do not require them to come in; they can deal with us over the phone. There is also an outbound call arrangement, which we have talked about previously, where we call people who are on parenting payment and offer to engage them with a Job Network member. That includes people who are already working who are still on parenting payment.

Senator WONG—Does that include both outbound calls and letters?

Mr Whalan—Just outbound phone calls.

Senator WONG—I will come to the outbound calls in a minute. I am interested in the letters. The assertion in the paper is that working mums are being summoned to Centrelink offices during working hours to discuss whether they are happy in their jobs and being threatened with cuts to their benefits if they cannot attend. Do you say that that is inaccurate?

Mr Whalan—I doubt that that is happening.

Senator WONG—Have you investigated it?

Mr Whalan—I have investigated the case that was in the paper. I would not want to talk about it, particularly in estimates. I would be happy to talk about it outside estimates.

Senator WONG—What I am a little concerned about is that we had some reasonably detailed discussions, as I recall, about your outbound script. I expressed the view to you that the voluntary nature of what was being required was not necessarily indicated in it. We have had feedback from our colleagues about constituents who have gained a similar impression. I am wondering how people might keep that getting impression.

Ms Scott—Just to clarify: one was about scripts, and I think we have pointed out quite comprehensively—

Senator WONG—No, there was also an incident at a particular office—

Ms Scott—that it is voluntary. I think you are referring to accusations relating to a letter. So I think it is important to distinguish the two.

Senator WONG—If you want to go down that path, Ms Scott, on the last occasion, as I recall, there was a script which you regarded as unauthorised and which did not indicate clearly the voluntary nature of it. Now I am saying to you that we also have letters from which people have gained that impression. So I am trying to understand whether or not there is a systemic problem where people keep getting told what is, in fact, not legally correct.

Ms Scott—You will also recall that we tabled a number of scripts where it was clear that it was voluntary.

Senator WONG—Yes, and there was a particular area where a script was used that was, I think, conceded as not being in accordance with government policy.

Ms Scott—Yes. That related to one area. So I would not want to leave someone with the impression that that was generally a problem, when I think our previous testimony indicated that that was not the case.

Mr Whalan—We have been looking very carefully at the scripts we provide to staff and emphasising that it is voluntary. I think that there are some people who are on the parenting payment and are working a significant number of hours a week. They are still eligible for the parenting payment and we are calling them and encouraging them to connect with a Job Network member. They will say, ‘But we are already working.’ If anything, we are being overenthusiastic in terms of encouraging them to work further.

Senator WONG—Correct me if I am wrong, but I think you said about 45 per cent of parenting payment recipients are currently engaging in some form of work. Is that right? Is that about the figure?

Mr Whalan—Sorry, Senator, I missed that.

Senator WONG—My recollection is that around 40 or 45 per cent of parenting payment recipients are gaining some form of income. Is that right? I could be wrong on that.

Mr Whalan—We will just check that figure. It is a significant number.

Senator WONG—My question is: why are you calling them when we have a significant proportion who are not engaging in work? Would you not focus your activities on the others? I am just confused why people who are already in work are being asked to attend interviews or attend Job Network.

Mr Whalan—There are two different processes going on here. We are required by law to contact every parenting payment—

Senator WONG—This is the annual interview?

Ms Scott—Correct.

Mr Whalan—Yes. I am worried about getting too deep into this individual case, but we are required by law to contact every person each year whilst they are on the parenting payment. In addition to that, we do outbound calls to them.

Senator WONG—Okay.

Mr Whalan—There would be a lot of people on the parenting payment who would be involved in both those activities and they have been very successful. A lot of the increase in people on the parenting payment moving to work, I think, can be attributed to a lot of sole and partnered parents being pleased to be engaged and back in the work force.

Senator WONG—On that issue, I did want some information on the figures, but is that appropriately asked of DEWR or you?

Mr Whalan—On the proportion of people who are—

Senator WONG—The numbers moving into work in the last six months or since this process commenced. I am happy for it to be taken on notice; I am just trying to work out if it is DEWR or you whom I should ask for that.

Mr Whalan—We have some of those numbers. We could give it a high level, if that would help.

Senator WONG—Thank you.

Mr Whalan—Between 1 March and 21 October, in round figures, 75,000 parenting payment customers with children of six years and older were contacted. Of these, some 13,000—again in round figures—have been referred to the Job Network and effectively registered. What that does not show is the number of parenting payment customers who have actually moved into work.

Ms Scott—The figure I think we can use is that since November until now, approximately 100,000 people have been successfully offered a referral and have taken that up. In that same period of time the number of people who have been on benefits and who have then been successful in obtaining paid employment amounts to about 42,000 people.

Senator WONG—That would include DSP customers as well as parenting payments?

Ms Scott—Yes, that is my understanding.

Senator WONG—Perhaps on notice you can confirm those figures. As for the 1 March to 21 October period, why did you use that specific time frame, Mr Whalan?

Mr Whalan—They are just figures that we had in front of us.

Senator WONG—This voluntary engagement—or whatever this particular strategy is called—commenced in November last year?

Mr Whalan—Correct.

Senator WONG—I would like pre and post that period—the figures that Ms Scott is referring to. I would like to be able to compare the 12 months prior to November and the 12 months subsequent in terms of numbers of people engaging and the numbers of people moving into work in the two categories of disability support pensioners and parenting payment recipients. I am happy for that to be on notice if that is accessible.

Mr Whalan—I could table a graph which shows—

Senator WONG—The graph we got last time?

Mr Whalan—Yes. This provides a split by different categories of customers.

Senator WONG—I would appreciate that, thank you. Going back to this issue, can we start with the required annual interview? It is possible that the required annual interview would be requested of somebody who was in fact in work, because it is a statutory requirement.

Mr Whalan—Correct. It is certain—

Senator WONG—It is certain, I should say, instead of possible. It is possible that that would occur during hours when people were required to be at work?

Mr Whalan—Yes, but we would work with them to try and avoid that interfering with their work.

Senator WONG—Secondly, in relation to the outbound calls, I think that you have indicated to me that you are calling for the voluntary engagement process for parenting payment recipients who are earning as well as those who are not.

Mr Whalan—That is right.

Senator WONG—As a policy issue I ask: why aren't the resources being directed to those who are currently not engaged in the work force or looking for work?

Mr Whalan—We think that it is sensible. We are ringing those who do not work at all and those who are still on parenting payment, many of whom are working a smaller number of hours and we know that the lot of them would actually like a larger number of hours of work.

Senator WONG—One of the individual matters that has been referred to me arises out of the Latrobe Centrelink call centre—and I will not give you the name of the person, for obvious reasons, in this context. It is asserted by this constituent that she was told by this Centrelink officer that if she was not working or actively looking for work her parenting payment would be cut off. She is an existing recipient and, clearly, that is not the case. It is possible that she is mistaken but I wonder whether you could explain to me how someone might gain that impression.

Mr Whalan—I cannot without knowing the circumstances. If outside the session you would be happy to give me those circumstances, I would be happy to follow it through.

Senator WONG—But that would be inconsistent with your script, would it?

Mr Whalan—Yes. It is absolutely about it being voluntary.

Senator WONG—The only issue with the document you have given me is that it does not give me earnings; it gives me referrals.

Mr Whalan—No, it does not have earnings on it.

Senator WONG—Are you able on notice to give me the data about—

Mr Whalan—We would not have that data.

Senator WONG—If it affected the amount of the parenting payment, surely that is tracked.

Mr Dolan—We could give you the number of people on parenting payment who have some earnings and those who do not have earnings—

Senator WONG—But you do not crossmatch it against this data. You do not actually know how many people referred to the Job Network got a job?

Mr Whalan—At the moment, when we do our selection, earnings is not a factor in our selection. What is a factor in terms of selecting the people we call is whether they are on a payment.

Senator WONG—Sorry, we are at cross-purposes here. You gave me a graph that told me weekly total referrals to Job Network members for DSP, PPP and PPS. Is that correct?

Mr Whalan—Yes.

Senator WONG—How many of those resulted in employment?

Mr Whalan—You will have to ask DEWR that.

Senator WONG—On the basis of the Job Network outcome payments et cetera?

Mr Whalan—That is correct.

Senator WONG—Do they track it separately?

Mr Whalan—Yes.

Senator WONG—I am not sure you were in your current position at the time of the implementation of Australians Working Together, but how much time was there between the passage of the legislation and the actual date of implementation of Australians Working Together?

Ms Scott—We will have take that on notice.

Senator WONG—Obviously the Welfare to Work changes are fairly substantial in terms of the operations of Centrelink.

Mr Whalan—Yes, they are.

Senator WONG—Have you undertaken some consideration of what will be required of you subsequent to the passage of the legislation and prior to implementation?

Mr Whalan—In great detail, to the extent that we can, noting that not everything is yet nailed down.

Senator WONG—We have not seen the legislation yet. Have you?

Mr Whalan—My understanding is that it is not yet completed.

Senator WONG—Have you done some analysis of how long it will take Centrelink to be able to implement those changes?

Mr Whalan—Yes.

Senator WONG—How long?

Mr Whalan—From our current state of knowledge, we will be able to implement in time for 1 July next year.

Senator WONG—What if the legislation is not passed until June?

Mr Whalan—I said ‘from our current state of knowledge’.

Senator WONG—What is the current state of knowledge?

Mr Whalan—It is the system as we currently know it, and I cannot anticipate what, if any, changes will happen in terms of the detail or the timetable.

Senator WONG—Is that assuming a six-month period? You are saying that you will be ready by 1 July, which you have to say, so that is fine, but how much time are you assuming you will have between the passage of the legislation and the implementation? You said to me that you have undertaken an analysis of how much time it will take you to get up to speed and get it up and running. Are you assuming two months, three months, five months, six months or what?

Mr Whalan—We would prefer six months. Our minimum critical path is that we need three months to train staff.

Senator WONG—So your minimum time frame is three months? You can put conditions on that. I am trying to clarify.

Mr Whalan—That would be the absolute minimum. It would not be what I would prefer.

Senator WONG—And your preferred position is six months?

Mr Whalan—Our preferred position is six months.

Senator WONG—Has the outbound script changed since you last provided a copy to the committee?

Ms Hogg—Yes, it has. We brought a copy of the latest one for you.

Senator WONG—Thank you.

Senator MOORE—Before we move away from the scripting and telephone contact with customers, I want to clarify in my own mind—because I see the dual processes of people who are having their annual review by phone and people who are getting the contact you described at the last round of estimates—can the annual review process be done by phone as part of the new process?

Mr Whalan—Yes, it can.

Senator MOORE—It can be fully completed and the paper work done?

Mr Whalan—Yes. In fact, for people who work that is often the arrangement that we put in place.

Senator MOORE—I would think so. I just wanted to have that clarified. Is that done by the JET person or by the call centre?

Ms Hogg—It would not be done by the call centre. By and large, it is a face-to-face interview, unless there are issues with the customer's ability to come in.

Senator MOORE—Are they actually worked out? My understanding is that once you are on the payment that stimulates the annual process?

Ms Hogg—Yes.

Senator MOORE—Does the client or customer have the option of what format the interview will take—whether they will come into the office or be interviewed by phone?

Ms Hogg—Usually we prefer to see the customer for that sort of review because, basically, we are also trying to make sure the customer does not get into debt, especially if they are earning. There can be issues with that.

Senator MOORE—But there is the option for people for people to do that?

Ms Hogg—If it causes a problem in terms of their availability for working hours then we will look for other ways.

Senator MOORE—Is the interview conducted by the specialist area or the call centre?

Ms Hogg—Not the call centre.

Senator MOORE—And the other round of interviews, which Senator Wong was discussing, would be done by the call centre.

Ms Hogg—The outbound calls?

Senator MOORE—Yes.

Ms Hogg—Yes. But they are not a review. They are quite separate processes.

Mr Whalan—They are, if you like, an invitation.

Senator MOORE—I did not think I used the word ‘review’; it must be late in the evening. But the other interview is done by the call centre?

Ms Hogg—The other offer, yes.

Senator MOORE—So there should be absolutely no confusion in the mind of anyone involved in this process as to what they are going through.

Mr Whalan—Correct.

Ms Hogg—Absolutely. There should be no confusion.

Senator WONG—I cannot recall exactly the text of the previous script, which we spoke about earlier, but are you able to tell me there have been substantive changes?

Ms Hogg—No. There has been no change. It is exactly the same as the previous one. So that is the current script that we are using.

Senator WONG—I thought you said there had been changes.

Ms Hogg—No. It is the same script.

Senator MOORE—In terms of the training for the internal staff, one of the things that we are hearing about the change in the process, particularly in the area of sole parents, is that in internal discussions within Centrelink there are some concerns being raised about how you handle the change, about your interaction with clients not being private and about how you best work with the client group. What kind of training program does the department have in place for staff to get them through the cultural change? I hate using the expression ‘cultural change’ but it seems to be the one that is coming through. You are in a situation where you are facing a difficult process in terms of the change that is going through. People are concerned about it. Knowing that, what kind of training process is in place to work with staff about how they will work with a significant change such as the compulsory movement of sole parents into the work force?

Mr Whalan—Some of it has already started, in terms of messaging to staff. In the past there have been specialist staff categories which had particular roles around participation. We have been saying more broadly that everyone's job, when they deal with customers, is to think about whether they would be assisted by being engaged in work. We have also been running some sessions talking about what is going to be coming in next year and about how people need to think more broadly about their role. We have also done some work around the introduction of what we call business lines and trying to get more consistency in what happens across the organisation. But the big job is before us, which is the job that will occur next calendar year once we have the details about these new arrangements, when we will be able to train people in earnest.

Ms Hogg—The first big exercise Centrelink went through in this, if you like, for moving from an income support base to one of engagement with our clients, was for AWT. We built a substantial package there—in fact, it goes over a 13-week period—to move the staff from a particular culture and mind-set into one that combines both. So we will, as Jeff said, be building on that, because we will now have to extend that to a far greater number of staff than just the personal advisers et cetera. But it is also important, I think, that as the labour market changes we understand that the staff will be dealing consistently with people with probably a great deal of need and barriers. It is not so much that you get a simpler customer in between the more difficult ones. I think as we go through this process we will also have to add into that process and use our social worker skills to enable our staff to deal with that level of complexity on a consistent basis, which they probably have not done. So we are very focused on that too. The combination of the income support, which is potentially more black and white than the engagement and the encouragement is a key area that we did build in to Welfare to Work. I think we do have a fairly strong basis from having gone through that, but it is just the issue now of far more of the 5,000 staff who do deal with this having to use that on a daily basis.

Senator MOORE—The annual report from Centrelink talks about the staff survey and talking with staff about how they feel. Has the issue of concern about these changes come up in the discussion process?

Ms Hogg—It has in the sense that there are a number of things that we have done over time which really focus our effort on people with the greatest need or the greatest level of complexity. Staff have told us that as we carefully target our effort, particularly in the face-to-face stuff, that this is what is happening, this is how their jobs are changing. So we are very aware of it. In everything that we do in terms of the training we are gearing up for that situation and giving them the self-assessment skills to know when perhaps they need some assistance in how they are coping with the issues day to day as well. We certainly do get that feedback.

Senator MOORE—Do you ever have the issue where the staff do not want to handle an issue, they do not want to carry out a particular payment process?

Ms Hogg—No, not in that sense. Usually what the staff will say to us is that they have a particular issue or difficulty with issues that that customer is raising. Then of course there are more experienced staff and specialists in most offices that will step in and handle that process.

Senator MOORE—There is no particular morale issue that has been identified?

Ms Hogg—No.

Senator MOORE—I will be putting questions on notice on staffing issues generally across the department. I will be asking where you are currently in filling your jobs—this is in Human Services. We have got in the Human Services annual report the top process, but we raised a lot of questions last time about the number of jobs on staff, had they all been filled and those kinds of things. So we will put those on notice again. For Centrelink, we have the general figures there in terms of your area but we will run that through again. I have been asked to put similar questions about staffing, filling of jobs, terminations and all those things for each of the agencies that come under the Human Services umbrella. I will not take up the time this evening on that.

Mr Whalan—Thank you, Senator. We are happy to take those on notice. A lot of it will be in the annual report, but we will pick up anything—

Senator MOORE—There is, but we want to refine the degree of detail. We have looked at the annual report, which arrived on Friday, so that is another thing that we have not be able to look at in as much depth as we would have liked to before this process. Another general question is on consultancies across each area of the Human Services family. I know that in the annual reports I have seen there are listed, as required, the consultancies over \$10,000. What happens to consultancies below that—is there any requirement? There must be some. The Human Services annual report lists consultancies over \$10,000 for Human Services, for CSA—

CHAIR—What page is that?

Senator MOORE—Page 241.

Ms Scott—There is a requirement that contracts be reported under AusTender. I do not know if you are familiar with this.

Senator MOORE—Yes.

Ms Scott—So agencies, required by those government regulations, list contracts and consultancies under that, and that is available through AusTender. I am just looking up what the limit is. I think it is anything over \$5,000, but I might just establish that.

Senator MOORE—Yes, I think that is right.

Ms Scott—I stand corrected; it is \$10,000.

Senator MOORE—I am interested because there is such a scrupulous listing, and Centrelink goes on for many pages in terms of those over \$10,000. There must be consultancies that do take government money that come under \$10,000. Is that listed anywhere? Is there any indication of that process?

Mr Whalan—Not to my knowledge.

Senator MOORE—We will put in some detailed questions about the contracts.

Mr Whalan—I think it is sensible that someone set the limit because the volume of purchasing that would happen below \$10,000 would be very large.

Senator MOORE—It would be significant. When I had a look at how many were over \$10,000, I thought what would go underneath it. What we are trying to get our head around is just what kinds of projects are tendered out. I have a specific question about consultancies in Human Services because in the annual report—and I will find the right page—a gross figure is given for the amount of consultancies. I just cannot make it out, and that is probably my difficulty with being able to add up.

Senator Abetz—They tell me that you are pretty good at the numbers.

Senator MOORE—I have my moments! It is at the bottom of page 53 under the heading ‘Total expenditure on new and existing consultancies’. There is a figure there of \$446,624. Then in another part of the document it talks about a figure of five-hundred-and-something dollars. I am trying to clarify what the difference is. I will put that one on notice as well.

Senator Abetz—It’s a workplace agreement!

Senator MOORE—Funnily enough, I am moving straight onto the workplace agreement.

Senator Abetz—How long do you think you will be going for?

Senator MOORE—We will be going through until 11 o’clock tonight.

CHAIR—In that case, we will take a short break.

Proceedings suspended from 9.33 pm to 9.49 pm

CHAIR—I call the committee to order. I think you had the call, Senator Moore.

Senator MOORE—Ms Scott, you actually found the paragraph to which I was referring just before our break. For the record, would you mind clarifying what was allocated and what was let in terms of the tender total amounts?

Ms Scott—In table 28 there is a column which adds up to \$508,555, which I think is the number you were looking for.

Senator MOORE—Yes, that is it.

Ms Scott—That includes consultancies to the value of \$10,000 or more let during 2004-05. The earlier table on page 53 that we were looking at relates to expenditure in that year. It is quite reasonable that total expenditure in a year can be less than the amount let because some expenditure would go into the following year.

Senator MOORE—And because of the payment cycles?

Ms Scott—That is right.

Senator MOORE—I will be putting on notice issues with respect to the various components to do with the tenders and so on and about where I find out about things that would be, say, \$1,000 or \$2,000 within your department. There is probably some general discussion, but I am interested in that within your department. So I will put that on notice rather than waste time here this evening. That would then come through your agency, Mr Whalan, COS and all the others. So it will come through that way.

Mr Whalan—Can I just clarify whether that is consultancies?

Senator MOORE—Yes, consultancies. I know that you have listed the advertising campaigns very carefully in your annual report, and we had extensive evidence here last night about advertising campaigns and how they are done, so I will not go back over any of that. Ms Scott, I have a general question, just for the record, about the department itself. I know that the annual report says that you have just started, how you are going and that kind of thing, but I am interested in the aim and the expectation of the department and what the department is all about. It seems that there is very much a coordination role. I want to find out where exactly in the annual report, and within your agency's perspective, I can see how your performance is to be measured. What are the indicators for this kind of coordination role that seems to be what the Department of Human Services is all about? How will your improvements and outcomes be measured?

Ms Scott—In relation to some of the initial work that we were assigned, we were given immediate priorities in relation to the number of referrals or faster rehabilitation or changing the governance structure. They were quite clearly set, and I think we have delivered on all of those.

Senator MOORE—Would you consider them to be short-term—that they were the immediate setting-up expectations?

Ms Scott—Yes. The Prime Minister, in his statement of 22 October, described them as immediate priorities. I think that we can well and truly state that we have delivered on those. In relation to the coordination effort, if it comes to the communications strategy, we have a number of campaigns that we have worked on and are working on that relate to cross-agency activity. We have coordination activity, obviously, in relation to the comprehensive work capacity assessments. The performance indicators for the comprehensive work capacity assessments will also fundamentally measure our success in that area. In relation to initiatives in, say, the Indigenous area, we are establishing targets at the moment in consultation—and with encouragement—with the agencies and will later come back and measure our success in that area. So those are three examples.

I would be happy to go on further in relation to procurement synergies. We are trying to achieve savings in those areas, and we have a number of runs on the board—which I think are referred to in the annual report—where agencies, particularly the smaller agencies, are seeking to utilise the substantial buying power we now have in order to achieve lower costs and to be able to pull back those savings into their organisation. That is another area. Do you want me to keep going?

Senator MOORE—In terms of those last things you were talking about it, it would seem that they were initial immediate priorities as well. What we are trying to get our head around is this: once the department is set up, what will be the performance indicators and expectations? From your initial answer, it seems as though some of those are in development.

Ms Scott—Some are in development and others exist in the sense that we are now moving to the next stage in terms of the delivery of particular initiatives.

Senator MOORE—So that would be assessed under each program?

Ms Scott—That is right. For example, once the details of the comprehensive work capacity are determined, we expect that we will be doing around 370,000 assessments a year. Our success in achieving those targets will be part of our assessment performance.

Senator MOORE—In your annual report on page 22 and 23, there is a heading ‘how we report our performance’. It seems that each individual agency has clear goals, because they have pre-existing expectations of what they do. What I am having difficulty with is how the parent department, the Department of Human Services, will be assessed.

Ms Scott—If you turn to page 26, we have a statement there about what our outcome is in relation to that. Effectively, brokering is going to be seen in the outcomes of the individual agencies. We have an achievements document. You talked about the report effectively being over an eight-month period. We have an achievements document which sets out the achievements that we have made in terms of fewer letters, simpler forms, technology improving service delivery, the activity we have in terms of better services over the phone and the local liaison officer program that I think you are familiar with. It goes through a number of improved performances assessed against our original set of—

Senator MOORE—Was that document distributed?

Ms Scott—This is publicly available on our web site. I probably have a copy here.

Senator MOORE—No, that is fine if we can access it in that way. It is just that through this process we tend to use the annual report model—that is what we have been trained to do. I have not extended that to the other document, which may well pick up the kinds of questions I am raising. When you look at role and outcome, it seems to be looking at coordinating activities and saving costs by having these centralised processes—as you quite rightly said. What we are trying to do is see by this time next year how we will be able to look at what improvements have been achieved. Reading that, it mentions ‘coordinating services’, ‘encouraging a strong customer focus’, ‘better targeted communication’ and ‘technologies’. The way my brain works, I put those four headings down and thought that they would be your statement about what you do. Between now and six months time, under those headings would be the subgroups saying how you are going to measure that. I do not want to put words into your mouth, but I am trying to see whether that is the kind of planning that is being done within the department.

Ms Scott—That is broadly the approach. We referred to page 40 earlier, which sets out performance indicators.

Senator MOORE—And they would be your ongoing performance indicators? Once again, these look to me like immediate priorities just to get things going.

Ms Scott—In terms of the quality indicator, that is an ongoing indicator. We have a responsibility to bring to the table the views of the agencies in terms of service delivery issues. Last year, we provided coordination comments on approximately 50 proposals being considered by government. Whether the minister is satisfied or not about the quality of the advice provided will be an important measure of success. Then there are some timeliness measures and then some quantity measures.

Senator MOORE—So, if you read page 40 and combine it with the document you have which is more specifically about this, those would be the expectations. You would go back to that.

Ms Scott—That is right.

Senator MOORE—In terms of programs that have actually been implemented at this stage, have you been able to say that the Department of Human Services has completed this program?

Ms Scott—The document that I referred to earlier—

Senator MOORE—We will go back to the small document. I will check that. I have not read that so it is dumb to ask questions about something that I have not read.

Ms Scott—I think that that would probably be the best source for you.

Senator MOORE—The liaison program that you mentioned there is one of the ones we talked about at the last estimates. It should now be embedded. It was very new last time.

Ms Scott—Yes, it is absolutely embedded. We have had over 3,000 inquiries—Mr Leeper will give me the exact number any second now—and 99 per cent of those have been responded to within the two-day working period. Ninety per cent have been responded to within one working day. The program has been very well received by a broad cross-section of parliamentarians. I think I have got the numbers here about the proportion of parliamentarians who have used them. Mr Leeper tells me that the number is 3,271.

Senator MOORE—Do we have a document on that, Mr Leeper? Have you given us a one-page briefing on it? You would expect we would ask about it, I am sure. Basically, we want to know how much it has been used. You spoke about it last time and we would like to know how many there are and whether any staff have been hired.

Mr Leeper—The answer to that question is certainly no.

Senator MOORE—No new ones?

Mr Leeper—The local liaison officer function is undertaken by existing staff. No additional staff have been employed in the performance of that function.

Senator MOORE—The particular point you raised at the last meeting was the fact that the Department of Human Services covers a range of quite complex agencies and there is one liaison officer per MP and senator. We want to get some feedback about that. My understanding is that most of the liaison officers come from Centrelink because they are the most accessible department and so on.

Ms Scott—Correct.

Senator MOORE—There would be information about how it is working with Centrelink but the expectation of the use of the service is that, if you have an issue with Centrelink, you go to the liaison officer but, if you have an issue with CRS or Hearing or one of your many of small agencies, you also use that mechanism. Have you got some feedback about how that is going?

Ms Scott—Yes, we have. I would probably have to do a cut and paste, so maybe I will take it on notice. Ninety per cent of the inquiries have been in relation to Centrelink; four per cent have been in relation to the Child Support Agency; just less than four per cent have been in relation to Medicare Australia; 0.3 per cent have been in relation to Australian Hearing; CRS and HSA are a very small proportion of the total; and 144 members of the House of Representatives and 45 of the current senators have utilised the programs. So we think that almost 96 per cent of the House of Representatives and 59 per cent of senators have utilised the programs. That is a broad range. I would be happy to provide you with a page on that.

Senator MOORE—I think that would be useful, as that was one of the key initiatives that came in. The other thing I am interested in is the review mechanism for that. How is that service going? What evaluation process are you using to see how effective this service is? For instance, I use it regularly and no-one has asked me how I find it. By the way, I find it very good. I am just interested in the review mechanisms. It is a standard process in this job that you set out how you are going with the service. Has it been 12 months yet?

Ms Scott—Not yet. It started on 7 February and 7 March so we are almost up to the 12 months period. We are planning to do some evaluation work. We have brought the local liaison officers together to be debriefed by them on their experience. We have undertaken some additional training. At the moment we are asking the local liaison officers to share with us some of their experiences. We do intend to be in contact with parliamentarians and ask them how they are finding the experience and what could be improved. So it is on our work agenda.

CHAIR—Ms Scott, are you going to be tabling those documents?

Ms Scott—Senator, can I take them on notice? I would like to cut and paste—

CHAIR—Cut and paste is fine.

Senator MOORE—I am particularly interested—as I am sure the department is—in that range of usage. Such a very high percentage of the usage is focused on Centrelink, and I am sure that is something that will be considered. That is of interest to me in terms of whether people see it as a Centrelink service as opposed to a Department of Human Services service. I do not know how you flesh that out but it seems to be an issue.

Ms Scott—One of the things that we propose to explore came from an idea of a Centrelink staff member. In order to improve communications with the public, the LLOs might be a vehicle. They could volunteer with the local member and consider if there would be merit in having town hall meetings or a morning tea where certain stakeholders could come together and interact with agency representatives first hand. We think we have an excellent resource here in people who are switched on to the needs of parliamentarians, and we might be able to take this endeavour a little bit further in an effective way.

Senator MOORE—In terms of the process, I have a couple of questions about the communication flow within Human Services, particularly linking up different agencies. There has been a fairly well publicised case of a person who was involved in paying child support and the concerns raised in that case. I want, without going into that case too deeply, to look at what it raises in terms of questions about communication within Human Services places and, in this case in particular, with families who are interacting with the child support and the

Centrelink sides of Human Services. I am trying to find out what the protocols are for the exchange of information between the various parts of the agencies. I am well aware of the data-matching process that automatically operates using that process. The issues raised in the case that received media coverage were: looking much more at information that was shared with one part of the agency and that may or may not be useful to another part; and what the protocols are for what you have to exchange and what you do not.

Ms Scott—I think this case highlighted that, while we did have an arrangement in place, it did not prove to be adequate. Centrelink and the Child Support Agency are now working to improve the arrangements as they currently exist. CSA will work to provide more information on child support income to enable Centrelink to, in particular, implement maintenance income credit. That is a budget initiative arising from this year's budget and it will take effect in July next year. CSA will also work to extend the telephone services that currently exist which enable parents to discuss their circumstances with both agencies in a sort of a three-way telephone exchange.

I think the sharing of electronic data is an area where improvements can be made. Mr Miller, who has joined me at the table, is exploring this issue with Centrelink in an endeavour to not repeat incidents where, if we had had better information sharing, we could have improved the service to the client. Mr Miller might want to add something.

Mr Miller—The only point I will add at this point to what the secretary has said is that the report that was in the media recently related to a case in 1999. It would be fair to say that data sharing between Centrelink and the Child Support Agency was very rudimentary at that point. It has improved significantly, with the construction in 2002 of a major information system that the Child Support Agency uses, but it is also fair to say that we are continuing to work on further improvements on the interfaces with Centrelink. One of the key issues, just to add slightly more to this particular case, is to acknowledge that Centrelink and the Child Support Agency have different needs for the information that is being collected in relation to contact. That is one of the issues which some of the prospective reforms in the child support arena are seeking to address.

Senator MOORE—Is there a single client file or number? If I were a client of both your agency and Centrelink—which would seem, apart from Medicare, to be the one that would be most common in terms of having joint servicing—would my file be the same?

Mr Miller—My understanding is that there is no single file at this point. One of the things that we are exploring under the umbrella of the department is having a single point of registration for common clients.

Ms Scott—That could still retain separate identifiers. Someone could still have a CRN number in Centrelink which could be quite separate from their number in the Child Support Agency. But what it would mean is that it would save customer time. If we could do greater linkups between the two when data matching is in the interest of improved service delivery then that might be appropriate.

Senator MOORE—I am interested in the IT development. Having looked at those four key elements that Human Services was focusing on, that seems to cover IT development and communication and looking at where that goes. Is there information that the Child Support

Agency must disclose to Centrelink and, the other way around, is there information that Centrelink must disclose to the Child Support Agency?

Ms Bird—Yes, there is. The Child Support Agency provides Centrelink with the amount of child support that is payable to a parent and the amount of child support that the Child Support Agency collects for that parent.

Senator MOORE—Do you have to supply information on both parents?

Ms Bird—We provide to Centrelink the information on the amount that the parent with care of the children is entitled to receive and the amount that they actually receive. That is used to make adjustments to family tax benefit. We also share information of a more general nature, such as if a client is deceased or if we are aware of changes of address and information of that nature. Centrelink provides the Child Support Agency with information about benefits that a parent receives in terms of parents going on and off those benefits. The Child Support Agency also requires Centrelink to deduct outstanding child support or ongoing child support from benefits. Centrelink provides us with the information about that. I think they are the general areas.

Senator MOORE—Have we reached a stage where the client only has to disclose information to one agency or do you still have to advise them that they have to give Centrelink information?

Ms Scott—We are planning to move to a position where, say, on registration for Medicare—

Senator MOORE—Which is the other most common stream.

Ms Scott—or for a new baby, that would also be registration for the purposes of family tax benefit if the person is eligible. One of the achievements of the agencies working together—and they have been working on this for some time; this is not an overnight thing—is that there will be a shorter form and common registration in the near future. I do have the cut-and-paste of that information that you were after.

Senator MOORE—I will not say how quickly that one met the requirements. I hope you count that in your performance indicators! That is good. The case that was mentioned in the media was particularly about one agency, Centrelink, getting information about foster care and not passing it on. That would seem to me to be quite a common situation with families who are moving around and could be under disadvantage. Does Centrelink have to tell the Child Support Agency about that kind of circumstance?

Ms Bird—Centrelink, in the data exchange, advises the Child Support Agency if the level of care in relation to a particular child changes.

Senator MOORE—What does ‘level of care’ mean?

Ms Bird—If the child spends time with that parent and another person—for example, if the parents are sharing the care of children after they have separated. Any changes in the level of care are provided from Centrelink to the Child Support Agency, including if the care is reduced to nil. That is provided in the current IT data exchange.

Senator MOORE—In the circumstance where the care is totally outside of the current family for whatever reason, is there a requirement for Centrelink to advise the Child Support Agency of that?

Ms Bird—In the data exchange, that would be notified to the Child Support Agency, because the level of care of the parent would now be nil.

Senator MOORE—I am concerned because there has been feedback given, which I know has gone to the departments involved, that that exchange was not taking place. Is that something that the department is aware of? There was one case.

Mr Miller—The case that made the media is, in our view, a very rare event.

Senator MOORE—Fair enough.

Mr Miller—But we are doing some further reviews of the data which has been exchanged between Centrelink and the Child Support Agency to absolutely establish whether any other cases are out there.

Senator MOORE—So you are confident in terms of the current process?

Mr Miller—We are confident in terms of the current process. As Ms Bird has indicated, there are issues around the use that Centrelink makes of it, and there are different thresholds for the Child Support Agency use of that data, as opposed to what is necessary to calculate FTB. The two agencies are using different thresholds and have different uses for the data. So we still have some work to do in getting absolute certainty in terms of the congruence of the data.

Senator MOORE—And the IT system does not do it automatically at this stage?

Mr Miller—The IT system from Centrelink uploads into CSA. We have some further interface work to do to make the data which, from the Child Support Agency's perspective, is extremely voluminous and often not useful. We have to find finer filtering—

Senator MOORE—So Centrelink data flowing through for your purposes could be seen as voluminous and not useful?

Mr Miller—Yes. And we need finer sieves or filters to get the more meaningful data to our child support officers.

Senator MOORE—Is that IT program in the budget for developments to meet that need?

Mr Miller—It would be done from existing resources. We already have an interface, and we are looking at how we can make that interface more effective.

Senator MOORE—Currently, in terms of the very specific data about the level of care, is there some way you can get that from the interface from what is keyed in? Is there a protocol that says that someone emails, rings or mails information about a client to advise that circumstances have changed or is it totally dependent on the current IT process?

Ms Bird—The IT process is used as a systemic way of sharing that information. There are protocols in particular circumstances to share it generally via fax or telephone. However, more recently, we have introduced a program between the Child Support Agency and Centrelink whereby, if a parent is talking to one agency, and it is quite obvious that they also

need to talk to the other agency to fully understand the effects of any change, we are able to transfer that parent so that we set up a three-way conversation with the CSA officer, a Centrelink officer and the parent, all on the telephone at the same time. So the two organisations and the parent work together and then, once that proper transfer has been made and the parent is talking to the right person in the other agency, and the other agency understands what the issues are, the first agency drops off the telephone call. In those cases, the two organisations work together to help the one parent understand all of the issues.

Senator MOORE—Who stimulates that usage? Is that a client request, a departmental decision or a joint departmental decision? I imagine that you do not do that with every client. How do you stimulate that process?

Ms Bird—We have been piloting this initially with clients who call our new clients area, so it is parents who have been involved in child support for only up to nine months. However, we have recently expanded that to cover the broader range of clients.

Senator MOORE—Have you got documentation on that pilot project—where it is being done and that kind of basic data?

Ms Bird—I do not have it with me, but we do have some documentation about that.

Senator MOORE—Is that something that we can have, Ms Scott?

Ms Bird—It can now cover all of our clients. We have extended it to the general pool of clients.

Senator MOORE—Can we have information on that pilot, Ms Scott? I do not think we have heard of that one before.

Ms Scott—We do have a little in the achievements document.

Senator MOORE—I knew you were going to say that.

Ms Scott—I would be comfortable to take that question on notice, and then we can provide you with more information.

Senator MOORE—This particular case has stimulated the questions. It seems like this is an attempt which the department is making to look at that. We would like to get some data on the pilot as to how it is going, what the uptake is and that kind of thing.

Mr Miller—We can provide a briefing or some data for you on that.

Senator MOORE—Is there any particular information that is marked ‘not to be shared’? Is there anything that cannot be shared between departments?

Ms Bird—We would be able to ask Centrelink only for information that was necessary for the purposes of child support legislation.

Senator MOORE—And vice versa?

Ms Bird—And vice versa.

Senator MOORE—I cannot think of anything. I am just trying to find out if there is any blockage within the protocols. Are the protocols written down? Is there a training sheet or a process about interaction between departments?

Ms Bird—There is a written protocol. It is available to Child Support Agency staff on our intranet.

Senator MOORE—Is that something we could have?

Ms Bird—Yes.

Senator MOORE—When Mr Whalan comes back I will ask a similar question to his organisation about whether they have one that we can share as well. In terms of a particular case which has received it—and you have said, Mr Miller, that it is aged—do you know whether this was subject to ministerial involvement? Was the minister's office involved in feedback about this particular issue?

Mr Miller—My recollection is that there was no ministerial involvement. We were contacted by Mr Schuck in March 2005. We acted on the basis of Mr Schuck contacting us. We then spoke with the Queensland Department of Child Safety and the process moved forward from that point in time.

Ms Bird—I believe there may have been written representations made on the parents' behalf by a member of parliament. The response to that was through the normal processes. I am not sure whether the response was signed by the minister or whether it was a response that was prepared by the Child Support Agency. I have just been advised that it was signed by the minister. That was a routine response to the issue when it was escalated by a member of parliament.

Senator MOORE—Ms Scott, I am sure you have probably answered this at previous times but, with the ministerial process now within the Department of Human Services, if a letter is received by one of your agencies, does that need to come back through the Department of Human Services on the route to and from the minister? Who is responsible for doing the work? I looked at your little document about turning around correspondence; I just want to clarify the steps. For instance, before Human Services existed, each particular agency was subject to doing ministerial correspondence and did it themselves. I want to see, with Human Services now, whether that has changed.

Ms Scott—Sometimes those agencies relied upon the parliamentary area in the department to which they belonged. With the establishment of the Department of Human Services, we put in a new parliamentary system, including for correspondence. You are correct in saying that, if a briefing or draft letter is for the minister's consideration, it goes through the department. Typically, we give it a very light touch. Sometimes on briefing issues, where there are issues of coordination involved, we would be more closely involved, but typically the letters pass through the department on their way to the minister. A considerable amount of correspondence is still done within each agency. I will see if I can give you some figures.

If you look at page 40 in the annual report you will see that the department processed—so we would not necessarily be the originating source; in fact, the great bulk of the work is done in the agencies—4,615 items of ministerial correspondence. Some of that, of course, is when letters have to be redirected to other ministers, but that gives you a sense of the scale. I think that all up, to date, the number of items exceeds 6,000.

Senator MOORE—When I read that I can be confident that through you, through the Department of Human Services, would come any ministerial correspondence from any of the agencies within Human Services.

Mr Leeper—That is correct.

Senator MOORE—That is what I am trying to get my head around.

Ms Scott—Ministerial correspondence.

Mr Leeper—Correspondence comes into the department from the minister's office, if necessary is allocated to an agency for reply, comes back to us and then it goes through to the minister's office. In that respect it is no different from the arrangements that were in place prior to the creation of the department. For example, Child Support Agency and Centrelink correspondence went through the Department of Family and Community Services. So our role is in that respect no different from what prevailed before Human Services was created.

Senator MOORE—How many staff do you have in the section that does this?

Ms Scott—I thought it was six but it is five.

Senator MOORE—That is about a thousand pieces of correspondence each.

Ms Scott—That is right. They have a little sign on their desks—I think this is a good productivity measure—about how many items they cover every day. You are right, there are almost a thousand pieces of correspondence dealt with by each member there. They do 400 slipstream transactions a day per person in the section. A slipstream transactions can be tracking a document at the various stages it went out and then you have to track it coming back in, so there could be more than one transaction for a piece of correspondence. We are not drafting the replies within the department, though—that is just too substantially a task. That is left to the individual agency.

Senator MOORE—But they all come back through you through the minister's office.

Ms Scott—Yes.

Senator MOORE—Just to finalise on this particular issue, because I think we have established the IT process is where you are looking at and that you feel as though this case was rare, are you aware of any other cases, Mr Miller, where there has been this breakdown of communication on a particular exchange between Centrelink and Child Support?

Mr Miller—No.

Senator MOORE—Did this case stimulate a look around to see whether it was happening elsewhere?

Mr Miller—As I indicated earlier, we are having a total review of all the information exchange from Centrelink to the Child Support Agency to assure ourselves to the maximum extent we can that there are no more cases like this.

Senator MOORE—Can you offer any guarantees?

Mr Miller—No.

Senator MOORE—In relation to letters and the process that Child Support uses, we have had issues about the range of correspondence that goes out to Child Support clients. In a

particular case, someone has claimed they have had 17 different pieces of correspondence over a period of time, with different pieces of information and variations within that. Allowing that that was one case, and probably has been reported to you at different times, what is the process for communication and the general form of communication between the Child Support Agency and their clients? Is it by letter, computer-generated letter or phone call? What is the standard way that the correspondence is done?

Ms Bird—The most common method of communication with parents is by telephone. Parents usually will ring us up to tell us about a change in circumstances that might trigger a change to the child support assessment. However, whenever we do make a change to the child support assessment it is necessary for us to send a new assessment notice to both parents so that they know how much child support they need to pay or how much they are entitled to receive. So there can legitimately be a number of reasons to change an assessment over a period of time, which could explain why people are getting a reasonable number of changes to their child support assessment.

Senator MOORE—Page 46 of the DHS annual report, under ‘Communication strategies and coordination’, talks about how the process operates within DHS. Is there tracking for complaints about communication?

Ms Scott—Communication in relation to campaigns?

Senator MOORE—Communication in relation to letters and things that clients receive. There are other things, but I think in particular we are tracing the interaction between the client and the department.

Ms Scott—Each of the agencies has a method for recording complaints. For example, the Child Support Agency and Centrelink have well-established methods for recording complaints. I think that is the best answer I can give you.

Senator MOORE—The section on communication strategies and coordination goes back to the core expectations of the department—and communication was listed as one of the things the department was expected to be able to improve. It says:

... the Human Services Marketing and Communication Committee ... was the driving force behind a strategy to coordinate and improve agencies’ communication with their customers.

Ms Scott—That is correct, but are you referring to a letter or a phone call—

Senator MOORE—I think I am looking at general communication, of which those are tools and, I think, subject to significant complaint in most agencies about the form they take.

Ms Scott—Certainly the department has worked to share phone protocols and to strengthen areas where service delivery could be improved by sharing lessons from different places. The minister has certainly been keen to impress upon us timeliness and phone protocol arrangements. We do have a group—not this group but another group—working on how the customer experience could be better right at the outset through information being taken once and then, with the permission of the person, shared. That relates to some of the service delivery strategy work we are undertaking. I think that goes to the issue that you are addressing.

Senator MOORE—Yes. It says in the annual report:

Streamlined monitoring arrangements, to be introduced from July 2005, will reduce duplication and associated costs.

What does that mean? I read that to be something that was going to be across the whole department.

Ms Scott—A couple of things are happening there. In terms of media monitoring, we used to do clips agency by agency, and I think we have achieved substantial savings by moving to a system where we have a common contract arrangement. In terms of publication and letters, we are trying to improve the quality of the letters out to customers. Now, if the total volume of any particular letter going out is over 80,000, the letter must go through the department and the minister's office to be checked for plain English, clear messages, and appropriate style and tone for customers. So there are efforts being made there. In terms of outward communications, we are working with the agencies to ensure better coordination of effort there. We have had responsibility for two recent campaigns—one on the drought, and one working with the Department of Employment and Workplace Relations in relation to supporting the system that supports you.

Senator MOORE—And you had primary responsibility for those two?

Ms Scott—For the drought, we had responsibility along with the Department of Agriculture, Fisheries and Forestry. In relation to the Supporting The System That Supports You campaign, we worked with DEWR, but there were elements that we had a particular responsibility for. You would have noted particular releases from Centrelink and particular media exposure in which Centrelink has highlighted the consequences of people cheating on the system. That is a particular Centrelink focus and they take the prime carriage there.

Senator MOORE—In the annual report, it also lists a couple of specific consultancies conducting customer testing of new publications and that kind of thing, a process which I would imagine would be ongoing.

Ms Scott—We are also looking at a common customer survey, rather than having multiple surveys. We are conscious that Medicare customers are also the customers of Centrelink in many cases and a subset of those may be customers of the Child Support Agency and so on. We are looking at what better surveying arrangements we could make there that would mean that we get a better cross-section of data across all of our agencies and would also allow us to look at the service experience that a customer has with those different agencies and see which agency is rated better and for what reasons.

Senator MOORE—You said earlier that each agency had its own complaint network for how its communication was operating. In this sense, I am looking particularly at letters, forms and that kind of thing. At this stage, does each of the agencies do that work themselves?

Ms Scott—That is right. We have resources within the department that are particularly looking at forms and letters. There is a cross-agency group to look at forms and letters. What we are trying to do is cut down on unnecessary red tape. One of the initiatives is that it is possible to use common registration. That is a particular focus of the group.

Senator MOORE—You touched on that earlier. Is that a formal project?

Ms Scott—Yes.

Senator MOORE—Where does that fit in terms of the work program?

Ms Scott—It fits within the delivery analysis branch.

Senator MOORE—On page 243, you list CSA consultancy services to the value of \$10,000 or more. We heard from you, Mr Miller, about the different things that you were doing in your part of the Department of Human Services in looking at communication. There are a lot of things on that page that look at communications. I am going to ask particularly about Crosby Textor Research Strategies Results. I am looking at the strategic communications framework. Can you tell me what that is?

Mr Miller—I would like to take that on notice.

Senator MOORE—You could not just tell me, Mr Miller? No, I am joking. That kind of strategic communications framework is one of those things that could be anything. I am just interested in where it fits within your agency in terms of the things that you have told us about. I am happy for you to take that on notice and get back to us. There was another one above that under the same heading, which was Cosway Australia and the development of the strategic communications framework. Given the information you have given us, it would be nice to know what the strategic communications framework is and how it fits into the evidence we have been given.

Mr Miller—It was some work which was commenced prior to my appointment, but it is clearly about positioning the agency to be able to communicate better with its clients and the broader community. We will take it on notice, if that is okay, and provide you with a more fulsome answer.

Senator MOORE—Okay. Senator Wong referred to the other issue we wanted to raise on communication. On that basis, that is all we need from the Child Support Agency. Mr Whelan, I hate to do it do you but I want to talk to Centrelink again. Senator Carol Brown is going to ask some questions about Centrelink, and then we will go back into those reflective questions.

Senator CAROL BROWN—Can you give me a brief overview on the way in which client files are kept at Centrelink?

Mr Whalan—There is first of all an electronic record for each customer. Staff, whether they are call centre staff or staff in a customer service centre, when they interact with a customer make a record of that interaction on the electronic file.

Mr Bashford—In terms of paper records, we keep current files in the office, but we store them in large sheds around Australia. We have an electronic system which allows us access to those paper files on the pretty quick basis.

Senator CAROL BROWN—How are transactions for clients who are contacted by or call you on the phone receipted?

Mr Bashford—That is put on a document. Every time we contact the customer we make a record of the contact on the electronic file.

Senator CAROL BROWN—Is the client given some sort of receipt number?

Mr Bashford—For every telephone conversation I think they are given a receipt number, yes.

Senator CAROL BROWN—How about internet contacts?

Mr Bashford—I would have to take that one on notice. I am not positive about internet contact.

Senator CAROL BROWN—I was just wondering whether they had some sort of receipt number.

Mr Bashford—I am advised that you do get a receipt on the internet as well.

Senator CAROL BROWN—How about face-to-face communication? If I went into a Centrelink office, would I get a receipt number?

Mr Bashford—I understand that we are currently looking at that possibility, but they do not in all cases at the moment.

Senator CAROL BROWN—Are you undertaking some sort of review?

Mr Bashford—I believe that is the case, yes.

Senator CAROL BROWN—Is there any timeline?

Mr Bashford—I can find that out.

Senator CAROL BROWN—I would appreciate that. I was just really wondering why, with internet and phone contact, you do get a receipt—obviously, that would be some sort of proof of the contact—but, with face-to-face contact, as I understand it, there is currently no receipt. Can you take on notice the provision of information about the review on face-to-face contacts?

Mr Whalan—In terms of the receipts.

Senator CAROL BROWN—Yes, that is right. That would be good. I will move on to another matter. If I want a copy of my Centrelink file, how do I go about getting that? Do I just wander in?

Mr Whalan—As a minimum, if a customer asks for a copy of the paper record they could do so under freedom of information.

Senator CAROL BROWN—What are the processes and procedures in place to ensure that the personal information of clients that Centrelink holds is protected?

Mr Whalan—There are extensive processes around that. Significant security arrangements are in place about tracking who accesses the electronic file, at what times and what part of the file is recorded. People have to be trained before they are allowed to access a file. You are only allowed to access a file if it is relevant to your work.

Senator CAROL BROWN—That is monitored and you audit these processes?

Mr Whalan—Yes, we do.

Senator CAROL BROWN—How regularly is that done?

Mr Whalan—There is a rolling audit in a number of areas. One is about inappropriate access by staff who are otherwise authorised to access files, so there are rolling audits of inappropriate access. There are audits of whether there have been any break-ins through the firewall—we have very extensive arrangements to stop outside hacking through the firewall.

We test it ourselves with external people trying to break in. We check on a daily basis whether there are any break-ins.

Senator CAROL BROWN—On a daily basis, did you say?

Mr Whalan—Yes, in terms of monitoring the robustness of the firewalls.

Senator CAROL BROWN—What have been the results of that auditing?

Mr Whalan—I will find the right page in the annual report, but each year we report the number of staff who are found to have inappropriately accessed information and we take action against those staff. From memory, the number is in the hundreds—I will just check that. There is a number both for last year and this year. It was 422 in 2004-05 and 436 in 2003-04. That is the total number of privacy incidents. That is broken down into many categories. For example, for browsing, in terms of inappropriate access, the number was 165 in the last financial year and 173 in the previous financial year, 2003-04.

Senator CAROL BROWN—What actions are taken?

Mr Whalan—We take actions ranging from dismissal through to action under the code of conduct—demote people, give them a warning. We take significant action. We treat it very seriously.

Senator CAROL BROWN—I have not look at that part of the annual report, I am sorry.

Mr Whalan—It is on pages 116 and 117.

Senator CAROL BROWN—Has there been a case in Centrelink where the personal data of a client has been sent out to a third party without authorisation—and I mean a third party that is not entitled to receive that information?

Mr Whalan—I am sure there has been.

Senator MOORE—I think that is a fair answer!

Senator CAROL BROWN—Do you keep statistics on those sorts of breaches.

Mr Whalan—We have got misdirected mail as an example. That is in the top line on page 117. It says that there were 123 incidents in 2004-05 and 119 in 2003-04. We are producing millions of letters a year and occasionally you get an error in the mail house—but only very occasionally, as it is a very good system.

Senator CAROL BROWN—I do not really mean misdirected mail. I mean something like a client's file being sent to a third person.

Mr Whalan—Once again, I am sure it has happened, but I am not aware of a case in the last 12 months.

Senator CAROL BROWN—The reason I ask is that I have had representations made to me about a Centrelink client receiving her own file, but on the back of it was a file for someone else who had the same name but a different address.

Mr Whalan—Once again, if you are happy to give me the details outside this forum, I am happy to follow it through.

Senator CAROL BROWN—I know you are not aware of it, but perhaps you can just check it out and let the committee know. Obviously the client who has had her or his information disclosed would be advised.

Mr Whalan—I would expect that to occur.

Senator MOORE—Mr Whalan, can I have a nine-minute discussion about how the enterprise bargaining is going? I read the section in the annual report and it anticipated with confidence that it would be concluded by October 2005. How is it going for?

Mr Whalan—It has not concluded.

Senator MOORE—We have had some particular questions asked about who is involved in the negotiations. There have been some media reports about some hiccups along the way. Without going into particular issues, are there any issues you want to raise? Who is involved in the negotiating team? Are you on it?

Mr Whalan—No, I am not. We have a negotiating team which I have great faith in. They represent me in those negotiations. We had hoped to come to a conclusion prior the expiry of the previous agreement. It troubles us that staff are effectively missing out on a pay rise at the moment. Our aim is to bring it to a conclusion. We would like to bring it to a conclusion, but that has not occurred.

Senator MOORE—Has there been any request from the union or from the staff for you to get involved in it?

Mr Whalan—There have been, both from the union and from the staff. The point I have put is that I have complete faith in the team that represents me. They operate with my authority.

Senator MOORE—Does that come under ‘people and planning’?

Mr Whalan—Yes, it does.

Senator MOORE—I am not familiar with the terms—I am an old HR person. It seems that that is not the current term.

Mr Whalan—It is now ‘people and planning’.

Senator MOORE—Okay. There has been some discussion in the public sector about the dynamic between enterprise agreements and AWAs. What is the current policy within Centrelink on the offering of AWAs to new staff? There is some data in your annual report about how many people are on them, but I am interested in the process on entry.

Mr Whalan—You will see we have very few people on AWAs. Essentially, our approach is going to be to offer people a choice. I am not sure we always do that, but our approach will be to offer people choice.

Senator MOORE—And that would be the range of options for people coming on as new staff?

Mr Whalan—Yes.

Senator MOORE—Including graduate staff?

Mr Whalan—There was a group of graduates, whom you are referring to. We brought them all in under an AWA. I have not got the fine detail here, but it was more about how we could ensure that those young graduates remained on the program for the period of the program. That was one of the key drivers there.

Senator MOORE—How did you do that? How would that be more ably facilitated by an AWA than an enterprise agreement? I am picking up that that is the reason you have given for doing that. What is the rationale?

Mr Whalan—An AWA gave us greater flexibility in terms of what we could offer those individuals.

Senator MOORE—So, within the AWA—

Mr Whalan—I am not going to go into the details of that.

Senator MOORE—But is there a clause that says someone has to stay for a period of time?

Mr Whalan—No, I do not believe so.

Senator MOORE—So the flexibility would be different conditions that may or may not be attractive, is that right?

Mr Whalan—Yes.

Senator MOORE—Do you have a standard AWA? Does Centrelink have a standard format for the AWA process?

Mr Whalan—No, we try to tailor our AWAs around individuals.

Senator MOORE—So they are not pro formas?

Mr Whalan—We try to tailor them around individuals.

Senator MOORE—In terms of the conditions—I know that there is the issue of confidentiality when you sign one—would the general issues of flexibility cover things like working hours?

Mr Whalan—Yes.

Senator MOORE—Are you able to tell us what kinds of working flexibilities you are seeking?

Mr Whalan—Given that, as I have mentioned, we have not got a standard approach, I do not think it would be sensible for me to say, other than to say that what I hope we do with staff who we are offering an AWA is work to try to find an arrangement that is beneficial to the business and beneficial to the staff member.

Senator MOORE—One of the issues was working hours across the board—and we discussed flexible working hours a little bit at the last Senate estimates. We have had questions about public holiday payments and so on. Is that something that the department is looking at, generally speaking: working on Saturdays? I think HIC officers already have the option of Saturday mornings.

Mr Whalan—There is no active Saturday morning discussion in Centrelink.

Senator MOORE—I like the term ‘active Saturday morning discussion’. It is not something on the table?

Mr Whalan—No.

Senator MOORE—Okay.

Mr Whalan—It is not on the table.

Senator MOORE—Public holidays?

Mr Whalan—If what you mean is the Christmas close down—

Senator MOORE—Christmas close down, show holidays: it has always been an interesting discussion, that of working on show holidays.

Mr Whalan—They are not on my radar. They may be being discussed somewhere, but show holidays are not on my radar.

Senator MOORE—It is always one that gets going in the workplace. One of the other areas we discussed previously is the concept of parental flexibilities, special leave and that kind of issue in the workplace. I notice that there is a segment in your annual report looking at that area. I asked particularly whether there was any strategy for looking at people who could take on part-time hours that may or may not fit in with the expectations of people with family responsibilities returning to the workplace. You were saying at the last round of estimates that you were considering that. Has anything moved in that process?

Mr Whalan—Not at a systemic level, other than that we have engaged quite a number of staff on management initiated part-time arrangements, which is a slightly different approach.

Senator MOORE—Have you the numbers for those? You can take it on notice.

Mr Whalan—It would be some hundreds of staff. Management initiated part time, with respect to call centres, work in the later hours of the day.

Senator MOORE—Yes, we have talked about that. This is my last question. In terms of the focus on the management initiated part time, is that only in call centres or is that a strategy across the whole department?

Mr Whalan—Systemically, it is only in call centres. In a non-systemic way, I am certainly encouraging managers to consider part-time work and respond favourably to part-time work. My view is that you get better value from part-time staff than you do from full-time staff, noting that the manager has to get a reasonable mix.

Senator MOORE—We could have a whole discussion on that. We will do that next time. I will just mention to Ms Scott that I will be putting questions on notice for a number of areas across the agencies, but I will be in contact with you on that. I think most of your agencies will get at least some questions on notice as a result of today. I thank you all and apologise for the hour.

CHAIR—In closing, Ms Scott, I have been looking at the introduction of your secretary’s review. You write that the Department of Human Services began on 26 October 2004 with three staff, a box of stationery and borrowed desks in a temporary office. It was not a very

romantic conception, but congratulations to you and all your staff on your first birthday, and we will see you in February.

Ms Scott—Thank you; that is very kind.

CHAIR—There being no further questions, that completes the committee's supplementary examination of budget estimates for the 2005-06 financial year. I remind agencies that the committee has set 31 January 2006 as the date for the submission of written answers to questions that were taken on notice. I thank the minister, of course, and officers again for their attendance. On behalf of the committee, I thank all officials appearing, and I would also like to thank the committee secretariat, Senate attendants and officers of DPS for Hansard and broadcasting services.

Committee adjourned at 11.02 pm