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SENATE

COMMUNITY AFFAIRS LEGISLATION COMMITTEE

Estimates

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CANBERRA

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SENATE

COMMUNITY AFFAIRS LEGISLATION COMMITTEE

Friday, 24 October 2014

Members in attendance: Senators Bilyk, Cormann, Marshall, Moore, Reynolds, Seselja.

HUMAN SERVICES PORTFOLIO

In Attendance

Senator Payne, Minister for Human Services

Department of Human Services

Executive

Ms Kathryn Campbell, Secretary

Outcome 1

Mr Ben Rimmer, Associate Secretary, Service Delivery Transformation Group
Mr John Kilner, Acting General Manager, Digital Transformation Division
Ms Michelle Lees, Acting General Manager, Transformation Projects Division
Mr Tam Shepherd, General Manager, Business Systems Design and Transformation Division
Mr Kim Terrell, General Manager, Change Management Division
Mr Grant Tidswell, Deputy Secretary, Service Delivery Operations Group
Mr William Garton, Acting General Manager, Face to Face Service Delivery Division
Mr Graham Maloney, General Manager, Service Performance and Coordination Division
Ms Roxanne Ramsey, General Manager, Indigenous, Regional and Intensive Services Division
Ms Jenny Teece, General Manager, Smart Centres Division
Ms Elizabeth Zealand, General Manager, Child Support Smart Centres Division
Ms Malisa Golightly, Deputy Secretary, Social Services Group
Ms Vicki Beath, General Manager, Service Strategy, Disability and Older Australians Division
Ms Sheryl Lewin, General Manager, Aged Care Division
Ms Catherine Rule, General Manager, Budget Implementation and Reform Unit
Ms Melissa Ryan, Acting General Manager, Participation Division
Mr George Thiveos, General Manager, Families Division
Mr Dennis Mahony, Acting National Manager, Families and Child Support Policy Branch
Mr Barry Sandison, Deputy Secretary, Health, Compliance and Information Group
Mr Darren Box, General Manager, Debt, Appeals and Health Compliance Division
Mr Colin Bridge, General Manager, Health Support and Business Services Division
Ms Alice Jones, General Manager, Health Programmes Division
Mr Gary Moorhead, Acting General Manager, Strategic Information Division
Mr Mark Withnell, General Manager, Business Integrity Division
Mr Jonathan Hutson, Acting Deputy Secretary, Enabling Services Group
Ms Sue Bird, General Manager, Whole of Government Coordination Division
Mr Hank Jongen, General Manager, Communication Division
Mr Barry Jackson, General Manager, Corporate Operations Division
Ms Annette Musolino, Acting Chief Counsel, Legal Services Division
Mr Michael Nelson, Acting General Manager, People Services Division
Mr Jeff Pople, General Manager, People Capability Division
Ms Mandy Ritchie, General Manager, CRS Australia
Ms Jo Talbot, General Manager, Enterprise Agreement Negotiation
Mr Gary Sterrenberg, Deputy Secretary, Chief Information Officer Group
Mr Mike Brett, General Manager, ICT Infrastructure Division
Ms Elaine King, General Manager, ICT Business Services Division
Ms Sue Kruse, General Manager, Customer Service Systems Division
Ms Emily Canning, Acting Chief Financial Officer, Chief Finance Officer Division

Mrs Kym Partington, National Manager, Financial Accounting Branch

Mr Michael Robinson, Acting General Manager, Audit Division

Australian Hearing

Mr Bill Davidson, Managing Director

Ms Gina Mavrias, Operations Director

Committee met at 09:02

CHAIR (Senator Seselja): We will commence. I will not do the spiel. We are in continuation. Welcome. I will go straight to Senator Cameron.

Senator CAMERON: Mr Davidson, I think we left off with me questioning yesterday. We had just gone to your annual report. You had advised me that you believed that Australian Hearing were best equipped to deliver what clients wanted, and that was understanding, trust and reassurance in terms of their engagement with a hearing organisation. Is that correct? You had advised that you had undertaken a stakeholder market and brand research program, and that your earnings before interest tax depreciation and amortisation percentage was 8.8—more than double last year's—and your return on assets was a healthy 7.7 per cent. So it is a very good performance by Australian Hearing. Is your research a publicly available document?

Mr Davidson: It was a document done by a research agency on our behalf as part of a marketing and stakeholder engagement program. A lot of it may well be commercial-in-confidence.

Senator CAMERON: Can you just take us through those issues that are not commercial-in-confidence in terms of how Australian Hearing is perceived by its clients?

Mr Davidson: The perception continues to be high. We have established a user questionnaire where we survey our clients on an annual basis—on a randomised but annual basis—and the results for the last eight years have consistently been in the high 80s in terms of customer satisfaction.

Senator CAMERON: You are competing with the private sector?

Mr Davidson: Yes, we do.

Senator CAMERON: I think I have said to you before that I have had people come to me and indicate that they do not have a lot of trust in the private sector because of, I suppose, the profit motive and a lot of the upselling that goes on. Are you aware of upselling or complaints about upselling? Do people, when they come to you guys, say, 'We've been sold a hearing aid that is just way too expensive'?

Mr Davidson: We may get one complaint like that a year. Certainly it is in the minority.

Senator CAMERON: Are you saying it does not happen in the private sector?

Mr Davidson: No, I am not saying that at all. In fact, the market is split into three. There is the CSO, the community service obligation, where we are the only provider, on contract to Health. There is the voucher market, which is fully funded by government through the Office of Hearing Services, where we compete with approximately 230 other providers. Then there is the third element of the market, which I will call the private market, where in fact we currently do not have a presence. I would think that within each of those sectors the satisfaction levels may be somewhat different and the issues may be different.

Senator CAMERON: There were two things that stuck out to me last night when you gave evidence: one was that you had used the buying power of Australian Hearing to get a really good deal on high-quality hearing aids, and the other was that you had empowered the workforce to engage more effectively face to face and that empowerment was part of the reason that you have managed to turn things around.

Mr Davidson: That is correct, and the third element was the introduction of the portal from the Office of Hearing Services, where vouchers are delivered on an electronic basis rather than by the paper trail, which speeds up the process of the client getting to see us.

Senator CAMERON: I said to you last time—and you were somewhat reluctant to respond to it—that maybe your board should have a look at it because, when you are, I suppose, under attack for the future of Australian Hearing with the proposition of privatisation being there, you have to mount all your arguments as to why you should be the organisation that continues to provide these services. The ANAO had raised the issue of the contribution that improving hearing had on the economy. Did you do any work on that?

Mr Davidson: No, we have not.

Senator CAMERON: Was the survey that you have done to allow you to make proper submissions to the analysis of your competitiveness?

Mr Davidson: No, the research had commenced purely for normal organisational business reasons, well in advance of the announcement of the scoping study.

Senator CAMERON: Have you had any more engagement on the scoping study?

Mr Davidson: We have been engaged through Finance. We established the data room, where we deliver information to Finance and its advisers.

Senator CAMERON: How does that work?

Mr Davidson: They make a request for documents and we deliver the documents to them.

Senator CAMERON: Do you know how many documents have been requested?

Mr Davidson: Significant amounts, both contractual documents and financial statements.

Senator CAMERON: And this is the finance department asking for these?

Mr Davidson: It is the scoping team itself.

Senator CAMERON: What private sector involvement is in the scoping team?

Mr Davidson: Finance have appointed PricewaterhouseCoopers as their business advisers and they have appointed Herbert Smith Freehills as their legal advisers.

Senator CAMERON: Has PricewaterhouseCoopers had any engagement directly with you or any of your executive or board members?

Mr Davidson: As part of the scoping study, they are the ones who are actually collecting the data, as I understand it, on behalf of Finance.

Senator CAMERON: Is this purely a data collection?

Mr Davidson: It is data and information collection?

Senator CAMERON: What type of information are they looking for?

Senator Payne: If you have questions in relation to the scoping study, they should be directed to the Department of Finance.

Senator CAMERON: I am asking Mr Davidson about his engagement. I am talking about—

Senator Payne: That was not clear from your question. If you want to ask Mr Davidson what information he has provided to the scoping study, that would be different.

Senator CAMERON: Okay. Mr Davidson, what information are you providing?

Mr Davidson: Information regarding financial performance, information about our current staffing levels and the contracts that we have on foot, both contracts with government and contracts with suppliers. I think that is a kind of catch-all of the subject matter.

Senator CAMERON: So it is basically the nuts and bolts of the business?

Mr Davidson: Correct.

Senator CAMERON: It does not go to any of the social benefits?

Mr Davidson: Again, I am not aware of the total extent of the scoping study reference that they have been given.

Senator Payne: The terms of reference of the scoping study make it clear that the study needs to examine the impacts of any potential change in ownership on the National Acoustic Laboratories and the community service obligations work of Australian Hearing.

Senator CAMERON: Mr Davidson, have they asked you about the social impact?

Mr Davidson: No, we have not gone there.

Senator CAMERON: So it has purely been on a business level?

Mr Davidson: It has been on an operational and business level.

Senator CAMERON: None of these issues around what your clients believe are the important values, such as that they trust you—none of that has been asked for?

Mr Davidson: That research was entirely for us; it was not for the scoping study.

Senator CAMERON: That is right, but that is how your clients perceive you.

Mr Davidson: We believe so.

Senator CAMERON: And that has not been raised by the scoping study; it is simply looking at the nuts and bolts—the profit and loss, how you operate and how many people you have engaged. Is that right?

Mr Davidson: Yes.

Senator CAMERON: How many discussions have you had with the scoping team?

Mr Davidson: We have met with the scoping team on three occasions.

Senator CAMERON: Can you provide dates? You do not have to take them off the top of your head; you can provide me dates of when you met on notice.

Mr Davidson: I will do that.

Senator CAMERON: Can you also tell me how long those meetings lasted?

Mr Davidson: Yes, surely.

Senator CAMERON: And the issues that were raised from the scoping team. That would be helpful.

Senator Payne: Senator Cameron—and I defer to the secretary on that—we might take that on notice to examine what we are able to say publicly. As you understand, there may be issues that relate to confidential matters, but we will take that on notice.

Senator CAMERON: Sorry, on what matters?

Senator Payne: Commercial-in-confidence matters.

Senator CAMERON: I am not looking for commercial-in-confidence, which is obviously—

Senator Payne: So we will take that on notice and provide you with what information we are able to.

Senator CAMERON: Yes, but there would be information available outside commercial-in-confidence issues.

Senator Payne: Yes.

Senator CAMERON: I know it has been taken on notice, but you could tell me broadly the areas that have been looked at without raising any problems with commercial-in-confidence, as you would be aware. So that is good. I notice that your chair for the last three years, Professor Rae Cooper, says that she has retired. Was this a voluntary retirement?

Senator Payne: Yes, and I would like to place on record my thanks as the minister for the last 13 months to Associate Professor Rae Cooper for her exemplary leadership of the organisation and her support for me as a new minister in that context.

Senator CAMERON: For the record, we would join with you in that, adopt your comments and support that proposition.

Senator Payne: Thank you, Senator.

Senator CAMERON: Has the executive met with the National Acoustic Laboratories?

Mr Davidson: In the same three meetings the National Acoustic Laboratories were included and involved.

Senator CAMERON: Am I right to say that there was some discussion that there may be a different approach on the scoping study?

Senator Payne: No. I think what I said to you earlier is that the terms of reference were explicit in the context of the National Acoustic Laboratories, saying that the study needed to examine the specific impacts of any particular change in ownership on the NAL.

Senator CAMERON: Mr Davidson, have the issues of rural and regional engagement by DHS and your outreach programs been discussed?

Mr Davidson: They have been identified separately in information that we have provided to the scoping team.

Senator CAMERON: Did they specifically ask you anything about that?

Mr Davidson: They did. Again, it was part of the data capture.

Senator CAMERON: Ms Campbell, how much has been expended on the scoping study so far?

Ms Campbell: That is probably a question best asked of the Department of Finance. They are running the scoping study.

Senator CAMERON: Just refresh my memory—who is paying for the scoping study?

Ms Campbell: Again, I think that is best asked of the Department of Finance.

Senator CAMERON: Are there any implications for your budget from the scoping study?

Ms Campbell: We of course liaise with the Department of Finance, but that is more in a business-as-usual type of manner, given our portfolio responsibility for Australian Hearing.

Senator CAMERON: There was an allocation of something like \$2.4 million, wasn't there?

Ms Campbell: I do not believe that allocation was to the Department of Human Services or the portfolio.

Senator CAMERON: That is what I am trying to establish. So there are no implications for your budget from the scoping study?

Ms Campbell: No.

Senator CAMERON: That is all I was trying to identify. Have you engaged with the scoping team?

Ms Campbell: I have not, but officers of the department have.

Senator CAMERON: At what level?

Ms Campbell: I will hand over to Mr Hutson. He might be able to provide more detail.

Mr Hutson: We do engage with the Department of Finance on the scoping study. An officer of the department was a member of the selection panel that selected the advisers who are conducting the study—PricewaterhouseCoopers and Herbert Smith Freehills. There is also a steering committee upon which the department is represented.

Senator CAMERON: Can you identify the input you have had to the scoping study in terms of hours or days of involvement?

Mr Hutson: No, I do not think we would have kept those records.

Senator CAMERON: You do not keep those records. Can you give me a rough idea what sort of commitment it was?

Mr Hutson: Ms Bird would be better placed to give you an indication of that.

Ms Bird: We do not have any specific special resources committed to this. We are managing this work within our normal resources, in the team which works closely with Australian Hearing.

Senator CAMERON: So you do not know.

Ms Bird: No.

Senator CAMERON: In saying that, it is not hugely significant in the context of DHS, is it?

Ms Campbell: This is our business-as-usual responsibility in providing advice to the minister and working with other agencies on Australian Hearing.

Senator CAMERON: It is a good thing that that is business as usual, because that is a good way to segue—I hate that word—back to Mr Davidson. You have indicated that you are business as usual.

Mr Davidson: That is right.

Senator CAMERON: But surely you cannot be business as usual if you are continually having to try to deal with this issue. This is a huge issue, isn't it?

Mr Davidson: The scoping study itself has not been a significant impost on us. Similar to the response from the department, we have also just picked it up and run with it in our normal operations.

Senator CAMERON: You did a Q&A for your staff, didn't you?

Mr Davidson: Yes.

Senator CAMERON: Who was responsible for preparing that within Australian Hearing?

Ms Mavrias: I was.

Senator CAMERON: Where is that? It is not in your annual report, is it?

Ms Mavrias: No.

Senator CAMERON: Do you have a copy of the Q&A?

Ms Mavrias: I do not have it with me. It was just an internal document that we created to support our managers in case their staff had any questions.

Senator CAMERON: Are you familiar enough with the Q&A for me to ask you questions about it without having it before you?

Ms Mavrias: I will try.

Senator CAMERON: Was there any input from the department or the minister's office into the Q&A?

Ms Mavrias: I do not believe so.

Senator CAMERON: So it was all your own work.

Ms Mavrias: A couple of my staff helped with some of the document, but yes, it was my document.

Senator CAMERON: Before it was sent to the staff, was it cleared through the department or the minister's office?

Ms Mavrias: No.

Mr Davidson: No.

Senator CAMERON: It is pretty detailed, actually. One of the issues is about being allowed to speak with the media. You would not be encouraging people—and I am not saying that you would—but are people free to talk to the media about their concerns in relation to the proposed privatisation?

Ms Mavrias: We cannot say to people they cannot express their own opinions. What we said in the Q&A is that, if they are contacted by the media, we have people within our national support office that they can refer those inquiries to.

Senator CAMERON: For a frequently asked questions document, it is pretty comprehensive. It is well done. I do not know if I agree with all the issues in it, but certainly it is something that people can have a look at. But reading it does not give me the impression, if these are the frequently asked questions that you are getting, that it is business as usual. There are some significant issues being raised in the frequently asked questions document, aren't there?

Ms Mavrias: We created that document not long after the announcement because we wanted to be fully prepared if there were any concerns or if clients came in asking questions. So it was really to help equip our staff. It is not actually the case that those were the questions being raised. We were trying to pre-empt what might come up.

Senator CAMERON: Mr Davidson, are clients aware of the scoping study?

Mr Davidson: It came in a wave, initially, and seems to have subsided across most of the client base.

Senator CAMERON: What is the strength of the nervousness amongst staff about their future?

Mr Davidson: Again, in the early days there was obviously a reaction to the announcement, but subsequently I could say that the staff appear to be settled at the present moment. There are no major concerns that I am aware of and none of our key indicators such as voluntary terminations or days lost to sickness have gone up. In fact, the trend has actually been to lower.

Senator CAMERON: What about the stress that is mentioned in here?

Mr Davidson: We have not had a stress claim at all.

Senator CAMERON: So that was a pre-emptive thing, was it?

Ms Mavrias: Yes. We were just making sure staff were aware that we have that service available, if anyone felt they needed to speak to somebody.

Senator CAMERON: Are you aware of some of the submissions that have gone in to the scoping study from groups that you would engage with? Are you aware of Parents of Deaf Children?

Mr Davidson: They are a matter of public record.

Senator CAMERON: Have you had a look at them?

Mr Davidson: Yes, of course.

Senator CAMERON: There is a whole list of areas. Parents of Deaf Children represent a number of groups, don't they?

Mr Davidson: I think so.

Senator CAMERON: They say there are a number of areas they value about Australian Hearing. Are the values that they find consistent with the research that you have been doing on values?

Mr Davidson: The parents of children clients have specific concerns that do not spread across the rest of our client base, such as the complex adults.

Senator CAMERON: This will take you to some of the areas that families value about Australian Hearing. Equity of access—you deliver equity of access, do you?

Mr Davidson: We attempt to.

Senator CAMERON: If you attempt to, how well do you do it?

Mr Davidson: As well as we can with the resources we have. We have 129 permanent hearing centres.

Senator CAMERON: Is there any other organisation in the country with that number of offices?

Mr Davidson: Yes, two of our competitors have more centres.

Senator CAMERON: Who are they?

Mr Davidson: AudioClinic and National Hearing.

Senator CAMERON: How many do they have?

Mr Davidson: Off the top of my head, AudioClinic has about 156 and National Hearing has in the high 130s.

Senator CAMERON: Do they service the remote and regional areas?

Mr Davidson: They do not, because remote is the contract that we currently hold with the Office of Hearing Services. It is not actually out to a competitor.

Senator CAMERON: So you have basically got a monopoly.

Mr Davidson: We deliver the services on behalf of government.

Senator CAMERON: Another thing they value is being a reputable provider. It would seem to me that they think there are disreputable providers. Have there been disreputable providers out there?

Mr Davidson: Possibly. My response to that would be to try to bring it back to facts, rather than opinion. Where we do compete with the private sector we only have 30 per cent of the marketplace. That means that 70 per cent continues to be serviced by our competitors.

Senator CAMERON: Regarding the number of trained audiologists, how does that work with some of your competitors?

Mr Davidson: They all have to have trained audiologists in order to deliver the services; it is mandatory. And they are trained to the same standards.

Senator CAMERON: What about numbers? Do you have more audiologists than your competitors or less?

Mr Davidson: We would have slightly more, because of our CSO obligations. But across the rest of the business we would be trading close to the competitors.

Senator CAMERON: Do you have a competitive advantage through the National Acoustics Laboratories engaging with your audiologists?

Mr Davidson: No, the engagement is entirely reciprocity. We do not gain any competitive advantage, because NAL's whole function is to deliver research for public benefit.

Senator CAMERON: For the general public?

Mr Davidson: Correct.

Senator CAMERON: Do any of your competitors have a national acoustic laboratory?

Mr Davidson: No, in terms of direct comparison; but two of them have their own research facilities in Europe.

Senator CAMERON: That would be overseas?

Mr Davidson: Yes.

Senator CAMERON: How does the National Acoustics Laboratories compare to overseas?

Mr Davidson: It is difficult to say, because the research subject matters are often different; therefore, it is impossible to give a direct comparison.

Senator CAMERON: Do you have a theme for National Acoustic Laboratories in your research?

Mr Davidson: Public benefit.

Senator CAMERON: That is interesting, because the other research labs would be for-profit organisations.

Mr Davidson: You would think so, yes.

Senator CAMERON: Yes, that is a key issue. Is there any comparison in the private sector to the comprehensive pediatric program that you have?

Mr Davidson: There are some smaller providers who offer pediatric services. In the main, these are the First Voice organisation, which looks at speech as well as hearing. They have pediatric audiologists. Of course, all of the ear nose and throat entities around all of the states have pediatric audiologists.

Senator CAMERON: But these are medical providers? This would be like at Westmead Hospital and places like that, would it?

Mr Davidson: Yes, they handle pediatric hearing services.

Senator CAMERON: Are any of the for-profit organisations your competitors? What about the two big ones? Do they provide testing of babies and children—the things that are listed in 3.5 of the submission from Parents of Deaf Children? I will just go through it:

- 3.5.1. Testing babies and children
- 3.5.2. Hearing aid prescription and provision ...
- 3.5.3. Children with additional needs ...
- 3.5.4. Family-centred services ...
- 3.5.5. The changing audiological needs of the child ...

Is that a specific thing that you have that others do not?

Mr Davidson: By virtue of the fact that we have the CSO and we are the only provider within that space, we are the only operation that is delivering those services currently.

Senator CAMERON: When the submissions from Parents of Deaf Children and Aussie Deaf Kids talk about evidence based practice, they argue:

Australian Hearing has a consistent approach to hearing aid prescription and children are fitted with hearing aids where they are tested ...

and, for children:

The National Acoustic Laboratories has been at the forefront of research into hearing aid prescription and features that optimise access to spoken language.

Is that something that you do that is special?

Mr Davidson: I believe so.

Senator CAMERON: What are the additional support mechanisms that you have that you talk about?

Senator Payne: Where are you referring to, Senator Cameron?

Senator CAMERON: I am sorry. This is the submission from the Parents of Deaf Children and Aussie Deaf Kids.

Ms Mavrias: In addition to our audiologist providing the services that you have outlined, the hearing assessments and fitting of hearing aids, we also provide an ongoing maintenance service so parents can come in and get the device repaired or checked. We visit a number of schools and provide support to children who are in units where there are other hearing impaired children. We also support the teachers to utilise their equipment and set up the environment. We offer a lot of information through both our website and brochures to parents, if they have any questions. There is ongoing support, essentially, while they are our clients.

Senator CAMERON: I am sorry you do not have their submission in front of you.

Senator Payne: No, we do not.

Senator CAMERON: I apologise for that. I was talking broadly on it, anyway. You have just gone to repairs and maintenance. They say there is cochlear implant support, technicians are available and children's devices are fixed quickly. They say your repair and maintenance is a good thing and is working well. Are there a fair number of resources involved in that?

Ms Mavrias: We have technicians to provide that, and we work with manufacturers if some equipment needs to return to manufacturers to be repaired.

Senator CAMERON: They say there are also economies of scale and cross-subsidisation. Mr Davidson, you did speak about that earlier. The submission says:

Our children currently have access to the quality hearing devices primarily due to the buying power that Australian Hearing has in the market.

It says:

If the organisation is sold, this buying power will be eroded, leading to lower quality aids and subsequently less quality access to sound, speech and language for our children.

I do not want you to give an opinion on that—that is not for you to do—but you do use your buying power to provide cross subsidisation.

Mr Davidson: We do use our buying power to get the best opportunity for ourselves and for our clients. Whether that leads to cross subsidisation or just cross benefit, it is just a terminology issue I think.

Senator CAMERON: And you cross subsidise the shortfall for the CSO component, do you?

Mr Davidson: We have done that once; we have no intention of doing it again.

Senator CAMERON: Would you need to do it?

Mr Davidson: No.

Senator CAMERON: So you have no intention because you do not need to.

Mr Davidson: We do not need to. It was an error that was made and we have resolved that.

Senator CAMERON: And the last thing they say is 'Engagement with parent support groups and consumers'—that is continuing?

Mr Davidson: It is continuing, yes.

Senator CAMERON: And the Paediatric Program Advisory Committee—is that still operating?

Mr Davidson: It is still continuing and operating, yes.

Senator CAMERON: I do not think I have any more questions for you. Thank you very much, Mr Davidson. Can I just say again: fantastic outcome over the last 12 years. Congratulations to you and to everyone involved, all of your staff, on the work that is done; it is really good. Let us hope that this uncertainty can be cleared up pretty quickly.

Mr Davidson: Thank you, Senator.

CHAIR: Thank you. There are no other questions.

[09:37]

CHAIR: We will move on to whole-of-department corporate matters.

Senator CAMERON: First of all, thanks for providing the document with all of the faces of all the senior executive staff—the chart. It is quite helpful, actually; it is good, thanks. I have it here. I notice—it is a good initiative—that there are 10 vacant positions in your senior executive staff. First of all, is that a high number? Is that a normal number?

Ms Campbell: We have a number of positions where staff are acting and sometimes that is a good opportunity for staff development opportunities, if they are short term. We have advertised in the Australian government *Gazette*, I think last Friday, for a number of those vacancies. We expect to be filling those vacancies over the coming months.

Senator CAMERON: How long has your chief financial officer position been vacant?

Ms Campbell: We could get exact details, but I think it was last September, so possibly a year.

Senator CAMERON: A year? One year?

Ms Campbell: Yes.

Senator CAMERON: Is that unusual?

Ms Campbell: No, I do not think that is unusual. It is a good opportunity. We ask for expressions of interest from officers within the department who are interested in acting in those positions. We go through a process and someone has an opportunity to act in that position.

Senator CAMERON: I am not sure how this operates—the Public Service operates differently to the private sector. You would not have, in the private sector, to my knowledge, acting chief financial officers for 12 months would you?

Ms Campbell: I do not have a view on that.

Senator CAMERON: You do not have a view or you—

Ms Campbell: I am unaware of what the circumstances are in the private sector. I imagine the private sector has different arrangements. We have a merit-based process system in the Australian Public Service where we advertise positions and opportunity. There are a number of people within the department who are qualified to hold a variety of positions. We often move those staff for different reasons and give them development opportunities. Sometimes people move in and sometimes they move out; we give people an opportunity to act.

CHAIR: Senator, I do apologise but I do need to interrupt for a moment to clarify one thing: I have just been advised by the secretary—I was not aware of this—that some of the ICT officials will not be available between a quarter to 10 and 10.30. Is that correct?

Ms Campbell: That is correct, Chair.

CHAIR: Okay, so I just want to make sure we can get the questions that people want to ask—

Senator Payne: Chair, it is not by choice. The CIO is appearing before the Joint Standing Committee on Public Accounts and Audit and that commitment was made long before—

Senator Cameron interjecting—

CHAIR: No, I just wanted to get some clarification because I know there are some questions on things like myGov and the like, which I would have thought would be handled in whole-of-government corporate.

Unidentified speaker: Yes.

CHAIR: If they are not back until 10.30, are we able to come back to that when they are back?

Ms Campbell: We can deal with most of the questions. If they are deeply technical questions, it might be best to wait for the CIO to come back.

CHAIR: I do not think they are deeply technical, so we will push on. I do apologise for interrupting.

Senator CAMERON: Mr Sterrenberg will not be here for that—

Ms Campbell: Mr Sterrenberg is appearing before the JCPAA at the moment.

Senator CAMERON: Okay, I have questions of him.

Ms Campbell: And he will be back—

CHAIR: So they can be after 10.30.

Ms Campbell: at 10.45. That is when we think the hearing is meant to be finished.

Senator CAMERON: So when he comes back, log him in.

CHAIR: Please proceed, Senator Cameron.

Senator CAMERON: Thanks. So this is not unusual; it is part of the standard process in the Public Service. When do you finally make a decision to make an appointment?

Ms Campbell: There are two ways: we can do a merit selection process, where sometimes we will find officers who may already be at level and who are suitable for the position, or we can do what is known as a section 26 transfer, where another officer at the same level can be transferred into the position.

Senator CAMERON: I want to go to the letter that went out from the Prime Minister—you would be well aware of that piece of correspondence—through DHS?

Ms Campbell: This is in outcome 1, where we are talking about—

Senator CAMERON: That is in outcome 1, is it? Okay, I am happy to deal with that in outcome 1. We cannot do much of the technology stuff until we get Mr Sterrenberg back. He is back at 11.15?

Ms Campbell: The hearing is due to be completed at 10.45, but we are happy to take questions on myGov or the interface with citizens into the technology. It is just the technical concepts themselves might be best answered by the CIO.

Senator CAMERON: Is Mr Rimmer here?

Ms Campbell: Yes, Mr Rimmer is here, but if you could ask the question, Senator, I will see who is best to answer that question for you.

Senator CAMERON: It will be Mr Rimmer, I can tell you now. I am asking Mr Rimmer about Harvard.

Ms Campbell: We will ask Mr Rimmer to come to the table.

Senator CAMERON: I think this is appropriate here. I do not think it fits in any of the other areas.

Ms Campbell: I think it is best asked in the general enabling type space, yes.

Senator CAMERON: Thanks. Mr Rimmer, I understand you won a scholarship to the John F Kennedy School of Government. Is that correct?

Mr Rimmer: That is correct.

Senator CAMERON: Congratulations; well done. How long were you at Harvard?

Mr Rimmer: For three weeks.

Senator CAMERON: Was there any cost to the department in that three weeks?

Mr Rimmer: The department met some of the travel expenses and my normal salary during that period.

Senator CAMERON: On notice, can you provide details of the expenditure on the Harvard scholarship?

Ms Campbell: We can provide the details of the expenditure on the travel costs.

Senator CAMERON: Yes, that is related to DHS. I am not asking for anything else. What was this scholarship?

Mr Rimmer: A group of people have formed together and raised some money in order to promote leadership and development within senior levels of the public service across Australia.

Senator CAMERON: This group of people are not colourful racing identities. Who are the group of people?

Mr Rimmer: I would want to take the exact names on notice, but obviously the figurehead is Sir James Wolfensohn, and he himself has supported—

Senator CAMERON: So it is not colourful racing identities!

Mr Rimmer: the scholarship, and supported it by using his name and in other ways.

Senator CAMERON: That is good.

Mr Rimmer: They offer something like three awards each year. One of them went to a senior public servant in the Queensland Public Service, and there were two within the Australian Public Service.

Senator CAMERON: Give me an idea of what you did in those three weeks, as briefly as you can.

Mr Rimmer: I undertook a program at Harvard for senior executives in the public service from around the world, at the Kennedy School. There was coursework on economics, public sector leadership, negotiation skills and a whole range of things of that nature, as you would expect.

Senator CAMERON: Okay. Political leadership—

Mr Rimmer: Sorry, I do not think I said political leadership. Maybe I misspoke—

Senator CAMERON: Maybe I misheard.

Mr Rimmer: Public sector leadership.

Senator CAMERON: Sorry, yes. That makes more sense. I think I misheard. And negotiating skills?

Mr Rimmer: Among other topics.

Senator CAMERON: Tell me what you learnt from negotiating skills.

Mr Rimmer: I was exposed to some very high quality teaching from the Harvard Business School and the Harvard Kennedy School about how to think about negotiations and what approach—

Senator CAMERON: I hope you are not using any of it on me now!

Mr Rimmer: Well, you never know.

Senator Payne: That is for Mr Rimmer to know, Senator, and you to find out.

Senator CAMERON: Yes, that is right. Sorry I interrupted, Mr Rimmer.

Mr Rimmer: It was, effectively, about how you think about a negotiation, how you prepare for a negotiation and how you ensure that you get best value for the interests that you are representing during a negotiation. In most people's case in the course, it was about how to get best value for the governments and the public services and the people of the countries that they were representing.

Senator CAMERON: Did you learn anything about how you deal with and value staff?

Mr Rimmer: As part of the normal negotiating framework you think about a whole range of perspectives and interests, including those of your stakeholders, those of your authorising environment and those of the people who work in the organisation.

Senator CAMERON: How would you describe this? High-level skills? Was the training high level?

Mr Rimmer: I find that a very difficult question to answer.

Senator CAMERON: Well, I do not know how else I can put it to you. This is Harvard; it is not the local technical college where you are getting a diploma in something. This is Harvard; people of talent have been brought in from all around the world. I am just trying to get an idea of what sort of level this training on negotiation was at.

Mr Rimmer: I would describe it as a very high quality course. Many senior Australian public servants have, over decades, spent time at the Harvard Kennedy School. From what I understand with my discussions with some of those who have been there, they have all found them to be very high-quality courses.

Senator CAMERON: Three weeks?

Mr Rimmer: Yes.

Senator CAMERON: Did you provide a report to the department when you came back?

Mr Rimmer: Not a written report, no.

Senator CAMERON: Why not?

Mr Rimmer: I talked with many of my colleagues about some of the things I learnt. There are a whole range of learning and development opportunities that people in the department undertake and receive. We talk about the outcomes of those from time to time in the normal course of events.

Senator CAMERON: Wouldn't it have benefited the department, given that they had made a contribution to this, no matter how modest—and I am not sure it is modest; we will wait and see what the dollar figure is—for you to then record some of the key issues that you learnt about so that it could be transferred through the rest of the Public Service?

Mr Rimmer: The judgement I made at the time was that the best way of handling it was to share it with my colleagues around the executive table through a verbal report to the executive committee. I also talked about some of the lessons with my own team. But people take up learning and development opportunities in a whole variety of different ways very frequently within the department. There is always a discussion going on about things that people have learned from their recent ANZSOG course or their recent Institute of Company Directors course and things of that nature.

Senator CAMERON: Again, in private industry more and more companies are engaging knowledge managers. Are you aware of that development?

Mr Rimmer: Sure.

Senator CAMERON: You are aware of what a knowledge manager does?

Mr Rimmer: In general terms, I understand the point you are making.

Senator CAMERON: As knowledge comes in to organisations, their job is to capture that and keep it for posterity so that, if you leave, the lessons you learnt in your three weeks of high-level, high-quality training do not leave with you, that they are captured and maintained within the department. Why wouldn't we do that?

Ms Campbell: That is something we can take back and consider. The skills that Mr Rimmer was taught and different perspectives on how to apply them is something that he has brought back to the organisation. He has spoken about the fact that he talked to the executive committee and he talked to his staff. He has talked to other executive service members. He is implementing those things he may have been refreshed on or newly learnt. But I take your point on board. That is something we will have a look at.

Senator CAMERON: I am not being critical. I am just saying that, if a lot of money is being spent on high-level executives to go overseas and learn new techniques and new systems, there should be some means of capturing that knowledge and keeping it within the department because they may leave.

Ms Campbell: We will take on board your point. I think that what we have done to date has been very useful. Mr Rimmer has been able to talk to staff in a practical, hands-on way and apply what he has learnt in the workplace.

Senator CAMERON: Can you take on notice this question and come back to me at the next estimates to see if there has been any progress on this or any ideas on how to get this done within the department.

Ms Campbell: We will take it on notice.

Senator CAMERON: Thanks. Mr Rimmer, you undertook this course on negotiation skills. You have, as I understand it, ultimate responsibility for the bargaining—

Ms Campbell: No, I have the ultimate responsibility. I am the secretary.

Senator CAMERON: What is Mr Rimmer's role?

Ms Campbell: Mr Rimmer does not actually have a role at this stage. He is, like other senior executives, providing information and talking to staff members. Mr Hutson, who is the Acting Deputy Secretary of Enabling, has day-to-day coverage of the bargaining.

Senator CAMERON: What did you learn then, Ms Campbell, from the high-level, high-quality negotiation skills that Mr Rimmer brought back? What did you learn and how can you apply that to the current bargaining round?

Ms Campbell: Mr Rimmer briefed us on the importance of being well informed going into a negotiation, having an understanding of what both sides want and working in good faith. These are things that I think many of us already knew, but it is always good to recap.

Senator CAMERON: So it is being informed, working in good faith and—

Ms Campbell: Understanding both sides of the negotiation.

Senator CAMERON: That was part of the learning process, Mr Rimmer, was it?

Ms Campbell: That was what I took out from Mr Rimmer's comments about his experience. But I would add that I think I already knew that and it was just good to be refreshed on that.

Senator CAMERON: Mr Rimmer, were those three points part of your high-quality, high-level training on negotiations?

Mr Rimmer: Yes.

Senator CAMERON: Did you have any course material that you brought back?

Mr Rimmer: There are course readings and things of that nature.

Senator CAMERON: I would like to see the documentation, the course readings and anything you got on the negotiation aspects of this training course.

CHAIR: You are asking the witness for his personal study documents?

Senator CAMERON: They are not personal.

CHAIR: It was a scholarship, wasn't it?

Senator CAMERON: Why would they be personal? They are personal if the department pays nothing. They are personal if the department does not pay the airfares. They are personal if the department does not pay an allowance every night. They are not personal.

CHAIR: On that logic, are you suggesting that anyone who gets any support through a department for university study or other training should have to hand over their study documents to a committee?

Senator CAMERON: If requested.

CHAIR: I think that would be an extraordinary precedent.

Senator CAMERON: This is not like a university course—

Senator Payne: I am going to take that question on notice and seek advice.

Senator CAMERON: You are going to take it on notice and seek advice?

Senator Payne: Yes, I am.

Senator CAMERON: You do have documentation, Mr Rimmer?

Mr Rimmer: The university owns reading materials and provides them to students before the course commences in the ordinary course of events, as many other university courses do.

Senator CAMERON: Was there a schedule of lessons and a timetable that you worked to?

Mr Rimmer: Yes.

Senator CAMERON: Is that available?

Mr Rimmer: We will take that on notice.

Senator CAMERON: On notice, I would like a copy of the course content for the three weeks.

Ms Campbell: I expect that is publicly available on the Harvard website.

Senator CAMERON: I am asking you for it. You paid money to get Mr Rimmer over there. I am not going to go searching around on the website. I am asking you to provide it. Is that okay?

Senator Payne: We will take it on notice.

Senator CAMERON: Give me the broad course content and the specifics on what you learnt on negotiation. I am particularly interested in the detail of that. Mr Rimmer, in the course on negotiation, did you deal with driving down costs? Did you deal with going digital? Did you deal with reducing red tape? Did you deal with making service delivery more contestable?

Mr Rimmer: The course was about a whole range of topics, not only negotiation. Negotiation was one component of the course. In the course of the program there were senior public servants from a range of different jurisdictions around the world, all of whom, broadly speaking, dealing with similar challenges in reducing the cost of service delivery, dealing with digital technology and providing high-quality services to the public. So those were topics that we discussed formally and informally throughout the course.

Senator CAMERON: Did you discuss how to convince the workforce to accept a salary offer less than inflation? Did you deal with issues like how you convince a workforce to take a cut in living standards?

Mr Rimmer: That is an interesting line of questioning. No, we did not specifically talk about that topic.

Senator CAMERON: Wasn't it considered important?

Mr Rimmer: They are not words that I used. As I said earlier, a whole range of factors and interests are important in producing a high-quality public service outcome, including engaging with staff and ensuring that public servants who are there to deliver the government's policy objectives do so in a way that is effective and efficient.

Senator REYNOLDS: Just picking up the theme of the last presenter, I want to talk about high service public outcomes. I had the privilege a few months ago to visit, with the minister, some of your offices in Perth. I have to say that I was incredibly impressed by the attitude of the staff, the new approach to the layout and the new approach to customer service. I want to congratulate you and the department on that.

Ms Campbell: Thank you.

Senator REYNOLDS: It was certainly different from the last time I had the opportunity to go and visit some of the offices. I was particularly impressed because I had been previously unaware of a lot of the changes and innovations you are making in the technology space. I had an opportunity to have a look at and get briefed on myGov. I was not briefed in detail, but I had a look at the facilities there and engaged with some of your clients who were using it. It seemed to be, from the few people I talked to, going down very well.

Today I want to get a little bit more information from you on some of the progress you are making on myGov, some of the other online initiatives you have and also with tablets and other technologies you might be having a look at. I can assure you I will not need in-depth technological details. I did just want to congratulate you on that because, quite often, when we see good things we do not always acknowledge it and that was very good news.

Ms Campbell: Thank you.

Senator REYNOLDS: In that whole space, have you done any benchmarking of your use of technology—for example, of the myGov services, your online claim processes and tablets? Have you got anyone else to benchmark yourself against?

Mr Rimmer: We have not done a formal benchmarking process. There is an active discussion with colleagues in other jurisdictions who are also pursuing digital service delivery for government services. For example, we talk often to our colleagues in New South Wales about the Service NSW process, our colleagues in Victoria and our colleagues in the UK and elsewhere. Each country and each jurisdiction has its own set of circumstances that is quite different, and different countries have taken different approaches to some of these questions. Broadly speaking, we find there is a lot of interest from other jurisdictions in what we are doing—in particular, in relation to our use of mobile phone technology and the myGov service. I think it is fair to say that the extent that the use of smartphone and tablet technology as a core part of service delivery has now reached in Australia is unusual when compared to other countries. That reflects a whole heap of work that has happened over a number of years to get to that outcome.

Senator REYNOLDS: I can imagine, given how quickly the change has been brought in and the take-up, that in another five to 10 years the way that you are delivering your services will be almost unrecognisable, possibly—in terms of the way you are currently doing it—or do you think it will be roughly the same but with a greater take-up of technology?

Mr Rimmer: There will always be an important role for staff assistance for customers that do not know what they do not know, for customers that have complex circumstances and for customers that are perhaps presented with a life event that is very deeply challenging to them and that has thrown them off course. I cannot imagine a world in which that is not a big part of—

Senator REYNOLDS: I was not saying to remove the staff, but from what I saw, even just walking in and seeing your staff there meeting clients with a tablet, for example, there are benefits for staff. What sorts of benefits are there for staff in terms of the new technologies you are adopting?

Mr Rimmer: In my discussions with staff, I think they really like having something to provide to customers, to help customers with, that they know to be of high quality and that they know to be of value and use. They know that it is more convenient for customers and they actually enjoy the process of helping customers to understand that. But it also means that staff are increasingly dealing with customers who, for whatever reason, really need their direct engagement. Whereas some time ago a customer may have had to talk to a staff member to find out 'Am I going to be paid next week?' now they can find that out for themselves. That frees up some time for staff to help customers who really need it.

Senator REYNOLDS: I guess it is a win-win for the client too, because the more quickly they are dealt with in a satisfactory way then it is a better experience for them as well.

Mr Rimmer: Yes.

Ms Campbell: Also, the customers do not actually have to come into the offices or ring us up. They can do it at home. They are empowered. They are managing their own business with us, just as they manage their internet banking, their shopping and those types of things.

Senator REYNOLDS: And their own time as well.

Ms Campbell: Indeed.

Senator REYNOLDS: I would like to come to the myGov program, if I could. Can you go through the numbers of growth and take-up that you have to date and then, projecting forward, how you are looking at take-up rates in terms of your total client base?

Mr Rimmer: There are now a little over 5.4 million active myGov accounts. That has grown considerably over the last four or five months as this year, for the first time, the e-tax service and the myTax service were available using the myGov system.

Senator REYNOLDS: So the ATO has now migrated to this system as well, and is now online?

Mr Rimmer: They have. That means that Australians can currently do business with Centrelink, Medicare, Child Support, the tax office, the electronic health record, Veterans' Affairs and the National Disability Insurance Scheme. There are plans in place to enhance the myGov service. One of the things that we are doing is talking to other agencies about coming on board. We are talking to at least one state and a number of Commonwealth agencies about that, because the more agencies that are on board, the more convenient it is and the more time it saves a customer.

The other thing that we are very excited about, although it is early days at this stage, is—

Senator REYNOLDS: I am sorry, Mr Rimmer; does that include DVA?

Mr Rimmer: DVA are already part of it.

Senator REYNOLDS: They are already on it?

Mr Rimmer: I think I may have skipped over them; I apologise.

Senator REYNOLDS: Thank you.

Mr Rimmer: DVA are already part of it. In fact, they were one of the very early adopters of the service. The other thing that is going on is that we are well developed in the planning stages for introducing the first Tell Us Once service, which will be where a customer can come in through myGov and say, 'Here's my address; it's changed. Can you tell all of the government agencies that I deal with?' Whereas at the moment, if you change your address, you have to go through Medicare, Centrelink, the tax office and other agencies as well, depending on your circumstances. I cannot remember the exact figure, but a large proportion of Australians change their address every year; something like 25 per cent, a much higher proportion than you perhaps you might—

Senator REYNOLDS: I guess that for all the agencies involved that would have a significant reduction of work for them in terms of the backend of doing all of this work, even for updating standard details and things.

Mr Rimmer: Yes, over time it should do that and it should also increase data quality. To take one example, people's Medicare addresses are used in some other arrangements and some other calculations through the Bureau of Statistics and the Department of Health. If people's Medicare addresses are more up to date then that will assist in data integrity and data quality as well.

Senator REYNOLDS: There is quite a lot of uptake of technology in some of the older demographics, but not all. You have elderly people from non-English-speaking backgrounds and people with disabilities. I guess there are some benefits in this service for them as well, but also some possible limitations in terms of access. What are your provisions for dealing with people who are not quite as technologically savvy?

Mr Rimmer: Just naturally, without any particular intervention from us, a wide variety of people are using government digital service delivery. It sounds obvious, but if we make the service high quality then people take it up themselves, they talk to each other about that and they do some of that work for us. For example, people sometimes assume that older Australians are less technologically literate, but in fact—

Senator REYNOLDS: It is not always the case.

Mr Rimmer: many grandparents are using Skype to talk to their grandchildren and doing online banking, and some of them are dealing with their share portfolio online. Some of those assumptions that perhaps may have

been accurate 10 or 15 years ago have now fallen away, in our practical experience—particularly with the growth of smartphone and tablet usage. Australia is one of the highest countries in the world in terms of smartphone usage. Just naturally there is a large uptake of those services; however, we do make specific provision for people who need assistance and also for people who have a non-English-speaking background. There is a version of our app that is available, for example, in Vietnamese and Chinese to help customers who speak different languages to engage with services.

Senator REYNOLDS: Presumably, that will grow over time?

Senator Payne: We have six languages, don't we?

Mr Rimmer: Yes.

Senator Payne: Five or six, yes.

Mr Rimmer: But most important, actually, is the work that our staff do. As time goes by, a lot of work in our service centres—and I think you said that you saw some of this yourself—is actually sitting with customers who may be feeling a little bit anxious about using digital services or who may not have a huge amount of experience and talking them through it, building their skills and building their confidence.

Senator REYNOLDS: I saw that in action; that would work well. But I also imagine, conversely, that for people with disabilities, particularly physical disabilities, having access to tablets and myGov where they can do things from home and not have to worry about the logistics of getting out to offices and mailing things—have you had any sort of feedback or have you looked at the provision of these services?

Mr Rimmer: In general, yes. To take one example, through the apps you can now get your Centrelink concession card displayed in the app and you can actually use that with a public transport provider, an energy retailer or something like that. What that means is that, if someone loses their concession card, they no longer have to come into an office and get a replacement one or call us and get a replacement one. It is faster, easier and all of those kinds of things. So, yes, in general there are lots of benefits from this. We are also trialling the use of high definition videoconferencing to assist, in particular, people who have mobility challenges and also people who need sign interpreting.

Senator REYNOLDS: So now you are looking to things like Skype so that you can videoconference?

Senator Payne: Effectively, yes.

Senator REYNOLDS: That would be fantastic. I understand that you are rolling out—and I saw a release about it—an actual myGov shopfront in Brisbane. What is the purpose of having a separate shopfront and what has the response been so far?

Mr Rimmer: The myGov shopfront is a trial; it is the first of its kind. A number of different government agencies have face-to-face services on the ground in different communities around Australia, and in particular the Australian Taxation Office has a number of services, but we are also working closely with the Department of Veterans' Affairs and other agencies.

MyGov Brisbane is where the tax office and we have moved in together in a new, purpose-built site. Our staff are working there side by side, with a particular emphasis on connecting people to digital services but also, if someone is unable to or it is not appropriate to connect them to digital services, to provide them with our high-quality staff service. For example, in the unfortunate circumstances that someone comes in and says, 'I have been bereaved; my husband has passed away,' or something like that, staff there can help them. It is not a transaction where it is suitable to say, 'We can help you go digital.' It is service that needs the personal touch. In such circumstances, our staff would probably take the person to a quieter area of the office and help them make the necessary arrangements with Medicare, with Centrelink and with the tax office, all in one set of interactions. Over time, we hope that that might also cover, for example, the Department of Veterans' Affairs, if there was a veterans issue.

Senator REYNOLDS: That is really wonderful. So it is really going to client-focused service delivery. How many people have you had walk through the door so far? Do you have any numbers?

Mr Rimmer: I cannot tell you the total number. What I can tell you is that at the moment we are having something like 390 or 400 per day come through that site. That is based on the most recent data that I have available to me.

Senator REYNOLDS: Based on those numbers, early indications are that it is a success. Would you be looking to then roll it out to other centres?

Mr Rimmer: The decision about rolling it out to other centres is a matter for government and for the minister in particular. We—

Senator REYNOLDS: Maybe I will just ask the minister. Minister, any thoughts?

Mr Rimmer: All I would say is that to aid government in that process we are of course looking closely at the results. There are undoubtedly things that we will learn from the first version of this site, and there will be in due course an evaluation of it.

Senator REYNOLDS: My last question is in relation to your online presence. I understand—I had a look at it—that, for Newstart and parenting payment, claims can now be made online. I think Medicare has already been online for some time, hasn't it? So is this a strategy to roll out the different types of claims? What is the plan?

Mr Rimmer: Yes. You can now do a lot of child-support business online; you can now do a lot of Medicare business online and through the app; and there are a whole range of Centrelink transactions that you can do online.

Senator REYNOLDS: Is this done through myGov or is this a separate portal?

Mr Rimmer: Access to all Australian government digital services, over time, is transitioning to myGov, and we are kind of halfway through the transition for Centrelink customers.

Senator REYNOLDS: Have you got a time frame for that transition?

Mr Rimmer: I would expect that in the next 12 months or so we will finalise that process. But there are something like 4.2 million customers with a Centrelink online service and, of those 4.2 million, something like two million have a myGov account that is linked to that. So we are halfway through the transition, if that makes sense.

You mentioned specifically Centrelink claiming. There are 18 Centrelink payments that you can now claim online. The ones that have been most recently added to that are, as you said, Newstart allowance and parenting payment, and they came on board progressively between May and July. They have had very, very good reception from our staff and from our customers. Our staff are finding them very easy to help people to use and also to process. We have had to simplify some of the steps—some of the bureaucratic processes that were involved in the old forms, if I can put in those terms—in order to get them into the new online environment.

Senator REYNOLDS: Once they are on, there are benefits not only for the clients but also for your staff, as you said. They have more time to deal with that more complex—

Mr Rimmer: Yes. Something like 60 or 65 per cent of Newstart claims are now coming in through the online channel. Some of that is happening as a result of customers doing their own work at self-service terminals in our offices, but increasingly, as people discover that they can do this at a time and place that is convenient for them, they are doing it themselves—from home, from a public library or from wherever.

Senator REYNOLDS: You have had success with integrating into tablets and smartphones, not only for customers but also for your staff. Do you have any special programs or are you looking at new areas where you can use tablets and smart devices—at the back end, in the office?

Mr Rimmer: Over time we are looking at more functionality, if that can be done on tablets, in the front office area—because it is just an easier way to help customers. For example, if the customer is there with their own device and our staff member has a device, that can work very well. We are also looking at how to use smartphones and tablets as a training tool for staff and for customers to help them get used to new digital services. But this area of technology is changing, as you know, extremely fast, so I have no doubt that in two, three or four years we will be doing things on smartphones that are only being trialled by Google today—or something like that.

Senator REYNOLDS: From my limited observations, there seemed to be a much closer interaction between your staff. As your people walked in with their smart devices, instead of having somebody sitting behind a desk and a big old computer screen, which can be quite intimidating, it was much more personal. Have you had any feedback on the level of engagement with clients being less formal and more personal?

Ms Campbell: We have had anecdotal feedback. I do not know whether we have done any formal research, but my observation from being in the offices is also that people do feel not as confronted by it. Particularly when a customer arrives who may be dealing with an adverse interest in their lives, they feel much more comfortable because the customer liaison officer can often take them away from where the queue is and talk to them about their issues and the like. The staff like it. Our really good customer liaison officers love it. That is their passion: they want to be out there, they want to be talking to customers, they wanting to be managing that engagement. It is very popular with some of our staff.

Senator REYNOLDS: Thank you and well done on the programs.

Senator CAMERON: Mr Rimmer, it would just seem to me that, with the high-level, high-quality negotiation training you have done, none of that seemed to cover the circumstances you are faced with here, did it?

Ms Campbell: Are you talking about the bargaining? As I said before, Mr Rimmer does not have key responsibility for the bargaining.

Senator CAMERON: I am asking about the training.

Ms Campbell: I do not understand the question, then.

Senator CAMERON: Mr Rimmer was at Harvard. He was given high-quality, high-level negotiation training. That is the evidence we have.

Ms Campbell: Yes.

Senator Payne: Amongst of other activities.

Senator CAMERON: I asked specifically whether that high-level, high-quality negotiation training dealt with any of the issues that are the priorities of the government to deliver. All I hear is, 'No, those were not issues that were raised in that high-level, high-quality negotiation training'.

Ms Campbell: I think Mr Rimmer indicated that this was one part of the three-week course. It might be useful for us to download from the website so that we can read into the evidence what the other components were. That was not the only thing that was examined.

Senator CAMERON: You might want to read anything and waste the time that you like. But I am interested in this part.

Ms Campbell: I think it would be useful for us to inform the committee of what other elements were in the training.

Senator CAMERON: Mr Rimmer, how long was your high-level, high-quality negotiation training?

Mr Rimmer: I would have to take that on notice. I cannot remember.

Senator CAMERON: Was it a module of training?

Mr Rimmer: It was one component. From memory I would say it was something like an eighth or a tenth of the three-week program.

Ms Campbell: I have asked the staff to see if they can download from the website so that we can more clearly indicate what element it played in the training program.

Senator CAMERON: That might be what you are interested in, but it is not what I am interested in. I am specifically interested in that part. I am interested in all of it, but I am interested in this part. So you can do what you like in terms of downloading it for your interest—that is fine. How long has myGov been in place?

Mr Rimmer: The origins of myGov go back—in different names and different incarnations—to the former Howard government. There was some activity of this nature about creating a common account during that period. Then the service expanded and became Australia.gov during the former Labor government. The service was transferred from the Department of Finance to the Department of Human Services in May 2013 under the former Labor government. It experienced some growth throughout that entire period and has continued to experience growth and have new services and new members under this government.

Senator CAMERON: So it has been in for a long time—it is not a new innovation. It is an evolving situation, but it is not new?

Ms Campbell: It has had former lives, but myGov—the way it is referred to, and the technology that has been applied at the moment—has been developing over recent years.

Mr Rimmer: Just to take one example, the Tax Office came on board with myGov, from memory, in May this year. There will be a new service available on myGov probably later this year or early next year. The service is developing and improving all the time.

Senator CAMERON: Just remind me where the myGov shopfront is?

Ms Campbell: Brisbane.

Senator CAMERON: Whereabouts in Brisbane?

Ms Campbell: Turbot Street.

Senator CAMERON: Turbot Street. Is that in the CBD?

Ms Campbell: Yes.

Senator CAMERON: Why was that site picked?

Ms Campbell: We had a lease on that premises already, and the lease had some time to expire. We thought that was a central site, and it was a good use of Commonwealth resources to use that site.

Senator CAMERON: So there was no science about what people would use it. Have you any idea who is using it—white-collar, blue-collar? Who are these 300 and 400 a day?

Mr Rimmer: We could take on notice whether we have any data about the demographics of who uses it. It is effectively right in the CBD of Brisbane and reflects the demographics of the area around there. There is a significant concentration of medical practices up the hill, I understand, from the site. That leads to some customers coming in for Medicare business. There are a whole variety of people who come into the site.

Senator CAMERON: But predominantly white-collar?

Ms Campbell: We do not have that detail.

Senator CAMERON: You do not have that. I think that would be interesting.

Senator Payne: I am not sure how we would do that, actually. I have been there. I am sure Senator Moore has been there. At the time I was there, there was an extremely diverse range of customers, from people who looked to me like grey nomads—just stopping in—to students and people coming from offices.

Senator CAMERON: Looking relaxed and comfortable, not like us.

Senator Payne: They did, actually. In shorts, polos—that sort of thing. Students and people who clearly come from offices locally. But I think it would be very hard for us to collect that information.

Senator CAMERON: How does 300 or 400 a day compare with, say, the Blacktown Centrelink centre?

Ms Campbell: I do not have that number with me. We will see if we can find how many people come through Blacktown, on average, day.

Senator CAMERON: Okay, so they are interesting. What is the figure that you have used to close down Medicare offices in terms of throughput?

Ms Campbell: I do not think we use a figure per se. The co-location program of Centrelink and Medicare has been in place for a number of years, where we seek to provide that one-stop shopfront to customers so that they can do their service as well. It was also a part of providing efficiencies to government.

Senator CAMERON: But you did mention figures when you justified closing. Those are the figures I am looking for.

Ms Campbell: Particularly when we are looking at co-locations, before we do co-location we work generally within a stand-alone Medicare on our digital assisted to try to get as many customers who are able to use the digital applications onto digital means—and also to remind customers that they can of course claim these payments at their doctor's surgery and provide that support.

Senator CAMERON: Ms Campbell, that is not what I am asking; I am asking you a simple question: you did mention previously and justified closing Medicare officers because of the lack of people attending the office. What were those numbers?

Ms Campbell: Can you refer me to when we said that so I can look at the context of those comments about which you are asking?

Senator CAMERON: I do not have them off the top of my head. It may have been at estimates.

Ms Campbell: Because that is a factor, but there are other factors.

Senator CAMERON: Let me go to that particular factor.

CHAIR: This will be the last question before we break.

Senator CAMERON: Can you have a look at that? I see that Mr Tidswell has come to the desk—the cavalry has arrived! Maybe you can tell with the answer.

Ms Campbell: As I said before, the number of people coming through was a factor but the drive to provide a one-stop-shop service where customers could receive their service in one place has been a policy of this government and the previous government.

Senator CAMERON: Ms Campbell, that is not what I am asking. I am simply asking you for that factor, please.

Ms Campbell: You are asking me for a number—

Senator CAMERON: Yes.

Ms Campbell: and I am saying that there is no number.

Senator CAMERON: But there were numbers quoted.

Senator Payne: Senator Cameron, I think it is fair to say that since 2009, when the process of co-location of services commenced, that almost in every instance the circumstances are different. It is a combination of issues—Ms Campbell is quite correct—which may lead to a decision to co-locate. It may relate to numbers, it may relate to lease expiration, it may relate to suitability of premises, it may relate to utility of leased property when the owner of the property decides to sell it or change it or it is redeveloped or something. So that is certainly what I have encountered in the last 13 months or so. Each of those factors plays a greater and larger part in circumstances in the different locations. You have referred to one, but if you were to take one in Queensland or one in Tasmania or one in Western Australia, the circumstances are, it seems to me, unique to each one.

Senator CAMERON: Mr Tidswell, do you have a number?

CHAIR: You gave a long answer, Minister—it broke the flow.

Senator Payne: I w I can do long; that wasn't long.

CHAIR: I will let Mr Tidswell give this answer and then we will suspend.

Mr Tidswell: As the minister and secretary have outlined there are range of factors, not the least being quite often we have sites very closely located. It has made a lot of sense to us and sense to successive governments to see how you can consolidate that footprint. It does not make sense in a small country town to have two sites 50 metres or 100 metres apart. So really a range of those factors are used to determine what is the best approach for a one-stop shop in any one given community.

CHAIR: Thank you, Mr Tidswell.

Proceedings suspended from 10:34 to 10:51

CHAIR: We will recommence.

Senator CAMERON: I suppose that the elephant in the room is Isis, in terms of its capacity. There has been commentary about the capacity of Isis to deliver government programs recently.

Ms Campbell: Yes, there has been.

Senator CAMERON: You are aware of that?

Ms Campbell: That it has been? Yes.

Senator CAMERON: I think there was something like roughly 60 changes in the budget.

Ms Campbell: It was rough around 60.

Senator CAMERON: There were significant changes in the budget. We do not know where that will end up. We do not know whether you will have those 60 changes. People have been advised that those changes are on their way.

Ms Campbell: Yes.

Senator CAMERON: The issue that I have seen recently that I would like your comment on is that some of the budget changes—it is a bit hypothetical at the moment because they not through parliament; but it is a real position we could be facing, so it is not so hypothetical—may not be implementable as a result of the inflexibility of Isis. Is that correct?

Ms Campbell: That is not correct. I think some of the commentary has been about the flexibility of Isis and the speed at which system changes can be made within the system that provides the Centrelink services. Often some of the changes might take longer than anyone would expect, because of the way the code is written and the need to change the hard coding to test those systems and to have them released as part of a well-organised and structured release. Mr Sterrenberg will be able to talk in more detail about this when he gets back from the JCPAA hearing. But on some of the ways in which we roll out these, we sequence the code and we sequence the testing. Sometimes it takes a lot longer than anyone would expect.

Senator CAMERON: I am trying to think of an analogy to get my head around this. It is a big, complex system.

Ms Campbell: It is actually more than just one system. We talked about Isis, the system, but it has got lots of add-ons.

Senator CAMERON: It is a cluster.

Ms Campbell: I understand that it was first structured around states, so there might be a New South Wales one, Queensland one and a Victorian one. You have to cross level, cross sequence or cross index. One of the best

stats that summarises the complexity is that it was batch system, which was originally built to run one batch an evening. We now run around 21,000 a day in order for it to keep in sync.

Senator CAMERON: So you have this integrated system called Isis?

Ms Campbell: Yes.

Senator CAMERON: With a number of platforms a number of different types of software?

Ms Campbell: I think that is the case. But again Mr Sterrenberg will be able to—

Senator CAMERON: What binds it together? I would rather you tell me than Mr Sterrenberg; I might understand it. What binds it together and makes it talk to each other?

Ms Campbell: There is an underlying platform of software—model 204 software—and that brings it together. Then we have been developing recently some SAP elements, and those also interface into the system.

Senator CAMERON: So that means the system can talk across the system?

Ms Campbell: It can talk across the system, but, because of those complex pathways, for want of a better term—that is what makes it quite tricky to build new applications within it new programs or changes to older programs.

Senator CAMERON: I think Mr Sterrenberg described it as 'a workhorse' last time. It got the job done.

Ms Campbell: It does.

Senator CAMERON: Is it antiquated?

Ms Campbell: It is mature. It is over 30 years old. There are a number of words that have been used to describe it on various occasions, yes.

Senator CAMERON: If the government said to you, 'There are changes that need to be made', are there any changes that would take six years to implement?

Ms Campbell: The changes we are talking about—to rebuild the whole system?

Senator CAMERON: No, I am talking about—the system stays as it is. I understand you cannot get rid of the system right away.

Ms Campbell: No.

Senator CAMERON: That is the reality. The system is going to be there. It is going to be a legacy system for some period of time. We do not know what is going to replace it until we get the results of the scoping study. Is that correct?

Ms Campbell: That is right. Government will receive that advice, yes.

Senator CAMERON: Say all the 60 budget proposals passed parliament tomorrow—and this is not hypothetical; I doubt whether it will happen, but it could happen. That is what the government wants. It wants all its budget measures passed through parliament. If the budget goes through parliament, how long will it take you as a department to implement those budget changes? You must have looked at this. How long would it take you to implement the changes in the system so that you can effectively implement the budget?

Ms Campbell: Some of the budget measures have different start dates, and those start dates would have reflected when the policy was going to be prepared, when the IT would have been ready, and when we would be able to deliver it. Of course they would have had some assumptions about when the legislation would be passed. We would be able to deliver all of those budget measures that were identified in the budget in the time frames. We would just have to check—and someone here might be able to check for me—whether we would still be able to deliver on those dates. But it would depend when the legislation is passed. If the legislation is not passed until the day before it is due to come into effect, then it is harder for us to enable that. And we provide that advice to government.

Senator CAMERON: So there is no problem in any of the budget changes in terms of the IT system having the capacity to deliver?

Ms Campbell: We provided advice to government about those time frames in the budget, so those time frames that were identified were when the systems could operate.

Senator CAMERON: Let me be clear: you provided advice to government that it could be delivered—was it after the budget or before the budget?

Ms Campbell: In the process of the budget, we are engaged with government.

Senator CAMERON: So you engage with the government and obviously the government says to you, 'If we do this, can you manage it?', and you said, 'Yes'.

Ms Campbell: We say yes. And sometimes we say we may not be able to do that, depending on the complexity of the changes envisaged. So the code is quite complex, and, if government were looking for quite significant changes, sometimes we might say that it might take a lot longer or that we cannot guarantee the integrity of being able to do that, because of the construction of the current system.

Senator CAMERON: So then the government has to make a choice about whether it proceeds with a specific issue—or it says: 'Okay, the time frame to practically implement is this, on the advice of DHS. That is when we practically implement'?

Ms Campbell: Yes.

Senator CAMERON: Okay, that is all very sensible. So the budget is not a problem—it is a big problem in terms of a lot of things, but in terms of implementation, if it went through, DHS can handle it?

Ms Campbell: We can handle it. We would provide advice to government about time frames.

Senator CAMERON: Has there been any discussion in relation to changes that might be required for the McClure approach because surely you have to start planning if there are significant changes being proposed?

Ms Campbell: I think as part of the business case for a replacement we are considering what may be in discussion in McClure and talking with DSS about that.

Senator CAMERON: So are you saying McClure could not be implemented until we get rid of the legacy system and put a new system in?

Ms Campbell: Senator, I do not think government has made final discussions on what McClure is, to categorise it as that, but the initial reporting around a much simpler system, a much simpler policy framework, what be very difficult and to implement under the current frame work.

Senator CAMERON: Impossible?

Ms Campbell: We would be spending money on a platform, the model 204, which is used by very few other people in the world and which we know has problems. We have issues with it now. I could not advise government that it would be a sensible decision to do a completely new framework in that system.

Senator CAMERON: Common sense would tell you there would be some aspects of the McClure report, whatever it ends up being. If you were given the job and you were told you have to do this, you would have to do it, would you not?

Ms Campbell: We would provide advice to government about the ability to do some of those things and the risks that would come by doing some changes within the existing system and that is what we do on a day-to-day basis. As you have said, with the budget measures, we are able to implement them in the current system. So it would depend on the measures and the complexity or the degree of change between what we have now and what was proposed.

Senator CAMERON: So if there were changes to be made under the McClure approach, which is about simplifying that, some aspects you could handle but some would have to be staged and that staging would have to be done—I am trying to understand this in laypersons' terms—as part of the process of moving from the Isis conglomeration to a new system?

Ms Campbell: I think that is a fair—

Senator CAMERON: Depending on the time frame?

Ms Campbell: Depending on time frame, depending on what is decided, depending on the complexity of the measure. It also depends on how many payments it touches. There are a number of payments in the system at the moment and we often find that once we touch one area it may have unintended consequences elsewhere, so it would be better to know.

Senator CAMERON: So for a layperson I would have said you have this conglomerate of work horses, which is the Isis system, operating with a range of software with some kind of coordination. I do not what to know the details; I only want to know how it drives. I do not know how you build the engine. So how then, if you simplify, does it make it harder?

Ms Campbell: Mr Sterrenberg will be able to give you more technical detail, but let me give the non-technical detail. We have a very complex system with all these payments and there is a citizen, a costumer, who may access a number of payments and they have to go off to different databases. If the system was more simple and the citizen only was accessing one or two payments, it would be better to build a new system, where the

integrity of the data was assured rather than going through a variety of routes to get to that data, to have direct links to a more simple system.

Senator CAMERON: Yes, sure, it would be better to do that and probably cheaper—

Ms Campbell: Less risky; it would not impact on customers getting their payments.

Senator CAMERON: If there were a decision, 'We have to do this'—

Ms Campbell: It would depend on what the complexity was. We would look at what was being proposed and we would provide advice to government on what we could do and what we could not do, the time frames and the risks involved in using the existing system to do—

Senator CAMERON: I do not know what advice you have given, but this is an act of consideration. I would think it would be keeping Mr Sterrenberg awake at night as to how we deal with this.

Ms Campbell: That is our job: to provide advice to government on these matters.

Senator CAMERON: So you are actively engaged in that at the moment?

Ms Campbell: Yes, we are engaged with our colleagues on that.

Senator CAMERON: In reality, it does not matter whether you move to McClure, as it is being outlined, from what we read. The issue is getting a more flexible system. Isn't that the fundamental issue?

Ms Campbell: For me, my colleague the Secretary of the Department of Social Services is looking after McClure, the policy construct. My role as Secretary of the Department of Human Services is how to deliver those issues. The focus for me is how to deliver those priorities. Of course, we provide advice back when the policy has been constructed on how can be implemented. My opinion is that we need to do something about the system now because it is not able to meet the flexibility requirements and it is not a modern system. I worry about some of the risks if we do not take some action.

Senator CAMERON: What are the risks under the current system?

Ms Campbell: The current system has a lot of complex coding and complex hardcoded elements. For example, sometimes we will make a change in one place and, because the code has links elsewhere which may have been developed 20 or 30 years ago, which may not be well documented, it has inadvertent consequences. One example a couple of years ago is that we made some changes to make disaster recovery payments. We made those payments and it inadvertently stopped someone getting their family tax benefit the next week. That was because there had been some sort of link, which we had not been aware of and it had not been documented. We do not have many other people using Model 204 in the world. It is sort of patched together. It takes longer, as I said, than ministers and governments would expect for us to make changes in those systems.

Senator CAMERON: So we made a decision 10 years ago and you were not part of that decision, I assume. It was as decision 10 years ago, Mr Sterrenberg—

Senator Payne: Nor was Mr Sterrenberg.

Senator CAMERON: yes, but Mr Sterrenberg knows the history—to continue with the Isis conglomerate. That was a 10-year contract under the Howard government to take as to 2014.

Mr Sterrenberg: Yes, it was 10 years ago that their contract was signed.

Senator CAMERON: So we were locked into the system basically for 10 years, unless we chopped it midstream, with contracts in place for 10 years.

Mr Sterrenberg: Yes.

Senator CAMERON: We extended some contracts again, didn't we, just recently?

Ms Campbell: We have.

Senator CAMERON: How long does that run for?

Mr Sterrenberg: My understanding is that it is for three years.

Senator CAMERON: Is that to get us through the period between Isis and a new system?

Ms Campbell: These matters are still for consideration by government. We received funding in 2013-14 to undertake the scoping study and we will provide that advice to government and government will take decisions.

Senator CAMERON: I understand what you are saying—the government will make that decision—but there are decisions being made now which lock us into the Isis system for another three years.

Ms Campbell: I do not think any of us believe that we could replace the Isis system within three years, even if a decision were made today.

Senator CAMERON: That is the point I am making. I am not arguing any different point. When are you presenting to government on the scoping study?

Ms Campbell: We expect to present it in the budget context.

Senator CAMERON: That would be leading up to the budget next year?

Ms Campbell: The budget context starts this year for consideration.

Senator CAMERON: So decisions can be made about implementing the new system in the budget if that is the decision of government?

Ms Campbell: We received funding over the two years 2013-14 and 2014-15 to develop this business case, and we are continuing with that intent. Those decisions are a matter for government. We will present the information.

Senator CAMERON: How much has been expended on the scoping study so far?

Mr Shepherd: The total budget for the study for the business case was \$16.2 million. To date, as at the end of 30 September, the total expenditure on the program has been \$7.9 million. So we are about halfway.

Senator CAMERON: Is there something I am not getting here? You have only expended half. That does not mean to say, then, that your capacity to advise government on the outcome is only halfway deliberated, does it?

Ms Campbell: No, not at all.

Senator CAMERON: How does it work, then?

Ms Campbell: It is how we have spent the money.

Senator CAMERON: There was an expenditure there. You may come in under budget with the scoping study.

Ms Campbell: We may. I do not know that anyone at the table expects that, but it is possible

Senator CAMERON: Because you have expended half the money, that does not mean that you are only halfway through forming the options, does it?

Ms Campbell: No.

Senator CAMERON: How far down are you?

Ms Campbell: We are continuing to work through the issues. I do not know how best to describe it. We are coming to a point where we will be able to provide advice to government.

Senator CAMERON: That is the important thing. So you do not have a date when you will present to government, but it will be in the context of providing advice to government so that they can make a decision in the budget next year.

Ms Campbell: We will provide the advice when the government chooses to make the decision. Of course, that is for the government.

Senator CAMERON: What sorts of issues are starting to emerge as the challenges for making an effective transposition from one to the other?

Ms Campbell: In all large business transformation and ICT projects there are a number of like issues. One of the officers at the table might be able to take us through those challenges. The advice we have been receiving is that this is similar to any other large transformation program, whether it be a bank or a large system. In fact there is probably a little more complexity in ours, because it is a unique type function. There are no other functions that look like the social security system of Australia anywhere else in the world. We might talk about some more generic transformation issues.

Mr Sterrenberg: I can give you use some of the technical aspects, Senator. If the government should proceed with this, clearly one of the major issues that will need to be confronted is the sequence of how the technology building blocks will need to be put together. It is not something you can do just randomly. The choices of that sequence will, in a large way, drive the outcomes that we get. Another issue is around data. We store enormous amounts of data in the system. But probably the most challenging one is going to be the transition—to carefully think through the transition steps to make sure that we are able to continue to provide services to the Australian public. We have to make sure that the time lines of implementation of each of the pieces of the new system are aligned with the various payment cycles, and there are various other technical things that we have to do.

Senator CAMERON: Are there any international lessons or studies that you have looked at where this has been done successfully?

Mr Sterrenberg: Yes. We have engaged the industry to get lessons learnt both here in Australia and internationally. The Australian example that is often quoted to us is the Commonwealth Bank, CBA, and the sequence in which they put the building blocks together. In their instance, they made sure that they had robust user experience—onlines, if you would—to make sure that the backward engineering was not experienced by their customer sets. We have also seen a similar approach taken by the UK government in its transformation. We have looked not just at government organisations that have undertaken such a large transformation but also some private sector organisations, both locally and internationally.

Senator CAMERON: Who has stuffed up internationally?

Mr Sterrenberg: I think there are many. These are very, very difficult things. The unanimous advice that we have been given by those we have consulted is to break this into smaller pieces—work packages—to make sure that it is governed clearly. It is really about bringing together the best possible resources to help with this. I think that the de-risking is about smaller chunks. I think those that have failed have tried to spend a lot of time in dark rooms building things, and by the time they have come out the world has changed. Having those checkpoints to assess whether the project is still on the right track is good advice. Those that have been more successful in recent years have achieved that by chunking it down into these work packages.

Senator CAMERON: Are you aware of the problems with the IT transformation in Quebec?

Mr Sterrenberg: No, not that specific one. I am obviously aware of other lessons that have been learnt globally.

Senator CAMERON: I was advised that there were some issues there and I have read some stuff about that, but that is another area.

Mr Shepherd: The secretary has talked a lot about the issue of agility. The current system has an impact on our customer servicing. I will give you a couple of examples. You will be well aware of the digital technology we have our customers using now. They can transact with us from their app or on a computer but, unlike the banks or when you want to book travel or order a pizza on a Friday night, they do not get an instant reply from us. That is because the back-end system is not capable of it. You cannot get updates on how your claim is tracking. One of the reasons is that the back-end system cannot cope with that. One of the impacts is that customers have continuously to ring us to ask, 'Where's my application at?', because the back-end system cannot talk in real-time to the front-end digital systems.

The other issue is that every time you apply for something with us we usually treat you as though we do not know you. Every time you start a claim you start from zero. Our customers get very frustrated and think, 'Why am I doing this again? I've told you this over and over again.' One of the reasons why is the issue that the way the system is built is payment by payment by payment.

Senator CAMERON: There is no history?

Mr Shepherd: There is, but the way the system is organised you cannot bring it forward like you would in a bank or with the ATO, which calls it pre-filling. We cannot go, 'We know you. This is what we know about you. What's changed?'. The reason we cannot is that the structure of the system behind it is structured around individual claims not the person.

Senator CAMERON: There are frustrations for the customers. What are the frustrations for the staff?

Mr Shepherd: They have to re-handle work. They have to re-key and re-process work that on a sophisticated would be able to be processed, that would deal with the sections and the complex stuff they want to be dealing with.

Senator CAMERON: How much re-work is involved?

Mr Shepherd: It is different across the different pensions, but some of the analysis we are doing as part of the business case development is on what we are doing manually because we cannot do it in an automated way like the banks or other agencies do.

Senator CAMERON: Have you done any calculation about the productivity losses in DHS as a result of this re-work?

Mr Shepherd: Part of the business case is to provide the benefits case around not only the staff effort but the customer effort. It is articulating how much less effort there is for our customers to access our services.

Senator CAMERON: Surely, regardless of the business case, there has been some analysis, Secretary, about what this means for productivity?

Ms Campbell: That is part of the business case. We are looking at what we could do in that productivity space if we had a new system.

Senator CAMERON: Yes, but it is not just about the new system. Surely you have done analysis: this is the system we have; these are the problems with the system. Have you done that?

Ms Campbell: We are doing it for business case. With the system we have there is no way around it. We actually have to.

Senator CAMERON: Is this because you do not want to tell me?

Ms Campbell: There is not really much point in my doing it to say that it is bad, because I have to do it.

Senator CAMERON: What I am asking is a very specific question. What are the productivity implications for DHS with the current system?

Ms Campbell: With the current system—the negative productivity elements?

Senator CAMERON: Yes. Workers are continually told they have to be more productive and more flexible. How can you be more productive and more flexible if the system requires all this re-work. Treasury would calculate that because of this impediment to the economy it costs 0.044 per cent in productivity terms. You can find all those sorts of calculations. You have not done—

Ms Campbell: We are doing it for the business case.

Senator CAMERON: You have never done it before the business case?

Ms Campbell: We have done certain elements. For example, when we did the service delivery reform agenda in 2011-12 we looked at some of the productivity things that we thought that we could put in place to provide those changes, so they were put in place. It is a big organisation. We have kind of chunked it up when we have been able to make those changes. The business case is another opportunity to do that.

Senator CAMERON: How many corporations would be in a position to deliver? I have been looking at some of this stuff from a layperson's point of view to try to get some understanding. There are two different arguments. One is to go with one of the existing providers and do a turnkey operation. The other is that you invest in smaller companies that can give you more flexibility and more capacity to innovate. That is one of the things I read in one of the IT papers. Is that an issue you have looked at?

Ms Campbell: That will be part of the options in the scoping study we present to government.

Senator CAMERON: That is a real issue, yes?

Ms Campbell: Those considerations that you have explained, yes, we will look at those as part of the business case.

Senator CAMERON: The figure I have seen is anywhere between \$1 billion and \$1.5 billion. That is the figure that is bandied around. I am not asking for a specific figure. Any way you look at it, it will be a huge amount of money.

Ms Campbell: It is a very large investment.

Senator CAMERON: Is the issue of how we can increase our local IT capacity through this investment being analysed?

Ms Campbell: The various options on delivery will be considered as part of the business case. It is not yet final. We have not yet provided that advice.

Senator CAMERON: I am not asking what the advice is. I am just asking whether you have looked at the issue of promoting local IT as a result of this huge investment.

Ms Campbell: We are considering and will provide advice on the various ways that the system can be delivered.

Senator CAMERON: Including on that issue?

Ms Campbell: It will include the different delivery mechanisms. You have articulated two of those. Those two will be included in the advice.

Senator CAMERON: I am not asking about delivery mechanisms. I am talking about the promotion of local industry.

Ms Campbell: We will talk with the industry department in compiling that. The government has in place processes where we look at the issues about how to bring industry development forward.

Senator CAMERON: Has the industry department tried to engage with you on this issue?

Ms Campbell: I do not think we have got to that point yet.

Mr Sterrenberg: I can tell you from past experience, outside of the public service, that large companies engage with the universities. In the lessons we had from the CBA example they talked about working with the vendor communities.

Senator CAMERON: You are taking me away from my point. Sorry, Mr Sterrenberg. I am just asking now about the engagement between the industry department and DHS in relation to initiatives that can be taken to promote Australian industry through this massive investment. Nothing has come from the Department of Industry so far. Is that what you are saying?

Mr Rimmer: We are not yet at that stage in the process. That is a part of the process that still lies in front of us, and that will be part of forming the advice to government.

Senator CAMERON: But the government will be making a decision one way or another in the next budget. That is not a lot of time.

Ms Campbell: We are aiming for that time frame, and we will continue to work with a number of parties, including the industry department.

Senator CAMERON: Government may make a decision, but the likelihood is what you have said here—they have to make a decision. A decision has to be made one way or another on where we proceed, does it not?

Ms Campbell: That is a matter for government.

Senator CAMERON: There has not been one skerrick of contact from the industry department saying, 'You guys could be spending \$1.5 billion. We need to talk to you about how we can muscle up on local content, on ensuring Australian industry gets a fair go'? Nothing?

Ms Campbell: I am not sure, as I said, that we are at the point where we could have useful discussions with them then. I am not sure whether at junior levels they have said, 'This is on our radar and we will come back, but we will engage with the industry department before we provide advice to government.'

Senator CAMERON: The industry minister has not said, 'Keep us in mind'?

Senator Payne: I would not speak to you about my conversations with my cabinet colleagues.

Senator CAMERON: So that is really nothing, inertia, from the industry department. That is okay.

Senator Payne: No, I think that is in fact quite unfair.

Senator CAMERON: I think it is pretty clear.

Senator Payne: Ms Campbell has made the chronology reasonably clear for you, and I think the officers are being very helpful. These things are done in a particular sequence, in a particular order, and when we come to the point where it is appropriate to consult with the Department of Industry that will be done.

Senator CAMERON: Maybe there are some bells ringing in the industry department and somebody will wake up and make a phone call.

Senator Payne: I am sure they are watching these estimates.

Senator CAMERON: I am sure somebody will advise them. Are you aware of the publication *Service delivery reform—transforming government service delivery*?

Ms Campbell: Do you know the date of that one? There was one some time ago, a couple of years ago.

Senator CAMERON: It was on your website until recently.

Ms Campbell: We will just see whether there is an officer who knows anything about it, but we could take the question and see whether we could assist.

Senator CAMERON: It has been removed from the website. Could you tell us why it has been removed?

Ms Campbell: No, but we will find out. If it is a dated document, sometimes we take down older documents because they are old.

Senator CAMERON: That might be it. Are you still committed to service delivery reform?

Ms Campbell: We are certainly committed to service delivery reform.

Senator CAMERON: Can you, on notice, take on board what service delivery reforms have been made since the 2013 federal election?

Ms Campbell: We can take that on notice.

Senator CAMERON: There was a phase 2 of service delivery reform 2011-2015. Has that been evaluated? Has an evaluation process started?

Ms Campbell: We have had some independent assessment at various stages, but of course it is not yet complete. It is not due to be complete until June next year.

Senator CAMERON: Does that include the utilisation of information technology by the staff?

Ms Campbell: I am not aware of the components, but I expect that that would be a consideration in any evaluation.

Senator CAMERON: Were any savings expected to be made by these projects?

Ms Campbell: In service delivery reform, yes, there were savings.

Senator CAMERON: What was the result?

Ms Campbell: We have been achieving our savings, because the Department of Finance ensures we meet our benefits realisation. I am looking for the saving figures now.

Mr Rimmer: Over the four-year program, the net savings were \$86.2 million from service delivery reform.

Senator CAMERON: I might put some more questions on the IT on notice, but can I indicate that I did ask for a private briefing on the IT issues. If you cannot give me a briefing on an issue, I would rather people just say they cannot give me a briefing, instead of sending officers who end up being embarrassed by not being able to tell me anything. That is just a point I want to make. There is no point in wasting my time or wasting officers' times if you are not going to tell me anything, and we get senior officers turn up at my office and say, 'We can't answer any of these questions'. It is just a point I want to make on the record. Just tell me you are not going to tell me things, and we will have to look at another way of getting it.

Just very briefly, Mr Sterrenberg, cyberattacks are a growing concern. I assume this is one of the factors that will be built in the new system—in terms of the scoping study and advice to government, how to ensure that it is safe?

Mr Sterrenberg: Yes, and it is also part of our ongoing BAU efforts.

Senator CAMERON: Are you satisfied that you have met all of the Audit Office concerns?

Mr Sterrenberg: We are in the process of delivering the three Audit Office concerns. We have plans in place to deliver to the three recommendations and, as discussed last time, we have agreed with all of the recommendations from the cyber-report.

Senator CAMERON: When will the Audit Office concerns be met?

Mr Sterrenberg: There are three key dates that we have provided. The whitelisting is the end of 2014, if my memory serves me correctly; the access is 2015; and the patching is 2016. I would contextualise the dates by the fact that we have patched 2.5 million devices this year alone. It is a large fleet and, as you pointed out, the level of global attack against cyber has required us to do continuous patching. Of course, we do have our regular patching routines of our patching Microsoft every 30 days and, obviously, patching our Unix and our Solaris servers every three months. Of course, where there are incidents like the Bash incident, or the most recent one, called Poodle, we have to do emergency patching to make sure that we all are secure.

Senator CAMERON: Have you maintained all of your staff? Have there been any staff reductions in IT?

Mr Sterrenberg: None. That is not part of the normal—

Senator CAMERON: Are there projections to increase staff numbers over the period of first of all maintaining the current legacy system and then moving to the new system? What are the implications for staffing in IT?

Ms Campbell: That will be considered as part of the business case, and it will depend on what—

Senator CAMERON: This business case—I cannot wait to see it.

Senator Payne: Patience.

Ms Campbell: It would depend on what options were chosen by government, if they were chosen at all, and how that would be implemented on impacts on staffing.

Senator CAMERON: All right. Chair, I intend to move to bargaining issues. Ms Campbell, how difficult are the government guidelines on bargaining making it to reach a settlement with the CPSU on bargaining?

Ms Campbell: I have been involved in bargaining in DHS in 2011 and I am again in 2014. We have the guidelines provided by government. We work in good faith with the CPSU to achieve something we can put to staff, and staff have the opportunity to vote for that. I do not think that either of the two that I have experienced have been easy and we continue to work through that process.

Senator CAMERON: Is this the first time you have had to offer a below-inflation wage offer?

Ms Campbell: The framework requires us to provide an offer which is funded by productivity gains. As part of the negotiations to date we have put on the table one offer, which is now no longer valid because the time frame has slipped. That resulted in our proposal to increase payment by 1.5 per cent across the board and 1.25 per cent salary advancement in the first year, which was 2.75 per cent. In year 2 there was a pay increase of 1.5 per cent and a salary advancement of 0.5 per cent, which was two per cent. In year 3 there was a 0.55 per cent pay increase and 0.5 per cent salary advancement, which was 1.05 per cent.

Senator CAMERON: What are the CPI figures over those years of the projections?

Ms Campbell: I do not actually have the projections with me but someone will quickly grab them for me.

Senator CAMERON: So you would concede that these are below-CPI projections?

Ms Campbell: I do not have the CPI figure yet but someone will grab it for me, for 2014-15.

Senator CAMERON: When that comes back we will have a look at it against your offer. You have talked about bargaining and productivity. We have just had a discussion about significant impediments to productivity which are technical impediments and a huge impediment. How is it fair and reasonable to be saying to workers that they have to offset any wage increase by increased productivity, when you have just explained to me how productivity is impeded by your computer systems?

Ms Campbell: I think we spoke about productivity in the context of one part of the business. This is a very broad business. We accept that there are challenges with the IT, but I believe there are other opportunities to seek productivity elsewhere in the department. That is what we are working with staff and their representatives on.

Senator CAMERON: Take me to those areas that you would want to look at.

Ms Campbell: Can I ask Mr Hutson to go through some of those issues we have been talking with the bargaining representatives about in the areas of productivity?

Senator CAMERON: Okay.

Mr Hutson: There are a number of productivity measures which we put forward for incorporation in a proposed revised agreement. I will take you through those. The first, and the largest one on the table at the moment, is the proposed increase in working hours, which is from the standard working week of 37½ hours to a standard working week of 38 hours—that is six minutes per day. We would also increase the proposed minimum period for higher duties allowance. At the moment our people receive higher duties allowance for very short periods of higher duties. We are proposing that we would not be paying higher duties allowance for periods of higher duties of 10 days or less. We would also be proposing to change the arrangements for eligibility for payments for part-time people who work beyond their agreed part-time hours but still within our standard bandwidth. We also have other proposals regarding overtime meal allowance, and start-up and wind-down time in Smart Centres.

I should also mention, because it is kind of important, that we had a proposal on the table to change the salary advancement arrangements from those which apply under the current agreement to those which we were proposing to apply under the new agreement. Unfortunately, that required us to have a new agreement in place by 1 September and, as Ms Campbell mentioned, that is no longer possible.

Senator CAMERON: These are not productivity measures; these are cost cuts, aren't they? How is cutting allowances a productivity measure? You have given me six areas and you say they are productivity measures. No-one who knows the least thing about productivity would argue that these are productivity issues. These are cost-cutting measures, aren't they?

Ms Campbell: Under the framework these are productivity measures that we have put forward.

Senator CAMERON: Explain to me how reducing the meal allowance is a productivity measure.

Mr Hutson: We have to do two things: we have to generate genuine productivity and we also have to generate cashable savings to enable us to pay. The overtime allowance is a cashable saving.

Senator CAMERON: So these are not all productivity issues?

Ms Campbell: Some of them are.

Mr Hutson: Certainly some of them are; some of them are both.

Senator CAMERON: Some are about generating cash, which is a colloquialism for cutting costs, isn't it?

Ms Campbell: This is to fund the salary increase.

Senator CAMERON: You are cutting costs.

Ms Campbell: To fund the salary increase.

Senator CAMERON: So the employees are actually funding their own salary increase through losing entitlements? Is that correct?

Ms Campbell: Some of these entitlements, as we are characterising them at the moment, have not been equitable across staff. One example is the overtime paid to part-time workers within the normal band of hours. We could have two staff, sitting side by side, doing the same work; one works three days a week and the other work five days a week. If the first one who works three days a week volunteers to work an additional two days a week, he or she would be paid time and a half for the first three hours and after that they are on double time. It could be that some of these people are working exactly the same time but one is getting paid five days and one is getting paid 6.8 or 6.75 days for that same work. We did not think that was equitable and we—

Senator CAMERON: That is an equity issue; it is not a productivity issue.

Ms Campbell: It is a way that we could find cashable savings to fund the salary increase.

Senator CAMERON: You come back to the lowest common dominator. It is a cost-cutting approach, isn't it? It cuts costs?

Ms Campbell: I think that if we are asking staff to work within the normal bandwidth we should pay them the same as we are paying a full-time staff member and so therefore that releases savings to pay for—

Senator CAMERON: It is a cost cut. The salary bill for that group of people would decline, in the first instance, and then they might get a little bit back. Is that what you are saying?

Ms Campbell: The money harvested would be available for the salary increase.

Senator CAMERON: In financial terms, will your staff be worse or better off if they accept the offer?

Ms Campbell: This offer is no longer available because we have passed the date where it would have been possible.

Senator CAMERON: So is this a 'take it or leave it' offer?

Ms Campbell: No, we were negotiating and we are going back to the bargaining table, I think, on 3 November—

Mr Hutson: The week commencing 3 November.

Ms Campbell: to continue. We put a proposal on the table and the CPSU have now provided verbal comments on that proposal. We have taken some time to consider those responses, as well as written responses from our non-CPSU bargaining agents, and we are now about to go back into those negotiations.

Senator CAMERON: That might be the CPI figure, is it?

Ms Campbell: It is.

Senator CAMERON: What is your offer in the first year?

Ms Campbell: In 2014-2015, we were—and I predicate that this is no longer valid because we have passed—

Senator CAMERON: 'No longer valid' means that you have made an offer and you have taken it off the table?

Ms Campbell: The CPSU took us to the Fair Work Commission and sought longer time to consider this and discuss it with their members. That predicated that we were then no longer able to offer it to staff and now we need to put a new proposal on the table. In 2014-15, with both pay increase and salary advancement, we were offering 2.75 per cent and CPI is 2¼. This is as per the 2014-15 budget paper.

Senator CAMERON: Is 'advancement' career advancement?

Ms Campbell: That is increment advancement. It does not require a promotion but there is a bandwidth.

Senator CAMERON: Is that there at the moment?

Ms Campbell: Yes.

Senator CAMERON: So take that out, and what is the offer?

Ms Campbell: It is 1.5 per cent.

Senator CAMERON: So it is 1.5 per cent. It is not 2.75 per cent. It is 1.5 per cent.

Ms Campbell: But the increase in their salary would have been 2.75 per cent.

Senator CAMERON: But that would have been available anyway. It is available now. Increments are available now, aren't they?

Ms Campbell: They are, but they do increase our salary bill and they are available to staff.

Senator CAMERON: Come on, I have done a bit of this in my day! The base offer in terms of a wage increase is 1.5 per cent. CPI for 2014-15 is 2.25 per cent. For the financial year 2015-16—

Ms Campbell: It is 2½ per cent.

Senator CAMERON: Is that 2½ per cent including—

Ms Campbell: That is the CPI.

Senator CAMERON: That 2½ per cent CPI, what is the offer?

Ms Campbell: The offer was 1.5 per cent pay increase and 0.5 per cent salary advancement.

Senator CAMERON: So the salary advancement is separate in that one.

Ms Campbell: The proposed offer had both a pay increase and salary advancement.

Senator CAMERON: So for 2016-17—

Ms Campbell: I do not think I have got that.

Senator CAMERON: Was it just a two-year offer?

Ms Campbell: We do not have that. We have only got—

Senator CAMERON: What is your offer in the third year?

Ms Campbell: I am sorry. For the third year we offered 0.55 per cent pay increase and 0.5 per cent salary advancement.

Senator CAMERON: Did the budget go out to 2016-17?

Ms Campbell: I do not think we have those. I think it is between forecast and estimates, and I do not have that figure with me.

Senator CAMERON: But it would be safe to say that the base salary offer—your first base salary offer, which is no longer there—would have meant workers would have had a pay cut against inflation.

Ms Campbell: Well, 1.5 per cent is less than 2.25 per cent.

Senator CAMERON: So it is a pay cut. That is a pay cut.

Ms Campbell: The absolute amount of money would not have decreased.

Senator CAMERON: I am asking about workers' standard of living against the offer of 1.5 per cent and the CPI projection of 2.25 per cent. That means the standard of living declines for your workers, doesn't it?

Ms Campbell: The CPI is greater than the pay increase. But some staff would have also received salary advancement which would have given them 2.75 per cent.

Senator CAMERON: So what is the implication of what you have just said—

Ms Campbell: Senator?

Senator CAMERON: in terms of people's standard of living?

Ms Campbell: Standard of living—I do not know that I can comment on every staff member, how their standard of living—

Senator CAMERON: You can comment on what the offer is in terms of their pay.

Ms Campbell: Their offer—

Senator CAMERON: Their pay would decline compared to CPI increases.

Ms Campbell: CPI—

Senator CAMERON: It would be under the CPI, so it would be a net pay cut.

Ms Campbell: Some of our staff would also receive a salary increase which would have been—it is all hypothetical now because it has gone—of 2.75 per cent versus the CPI of 2.25 per cent.

Senator CAMERON: But the base salary offer means that when inflation rises workers do not have the disposable income to meet those inflation rises. That is the bottom line, isn't it?

Ms Campbell: Some staff members under that offer would have received a 2.75—

Senator CAMERON: I am not talking about some staff members. Generally, when you take the base pay offer, workers will be worse off compared with inflation. Is that a fair statement?

Ms Campbell: I have given you the numbers and the forecast of the CPI. The baseline pay increase was less than CPI. But with the salary advancement for some staff, it was greater in that first year.

Senator CAMERON: You are offering workers a decline in their standard of living. Isn't that correct?

Ms Campbell: This is now hypothetical because it is gone. We now need to go back and bargain, commencing on 3 November—

Senator CAMERON: That is not what I am asking you. I am asking you about the offer that was made, which is not hypothetical. There was an offer that was there. Who knows what is going to happen in the bargaining! But that offer that you made—which has resulted in the CPSU going to the commission and getting an order to ballot for protected industrial action—was below inflation. The base rates were below inflation figures, weren't they?

Ms Campbell: The base rate was less than CPI projected, but for some staff—

Senator CAMERON: What does that mean for somebody's capacity to spend in terms of their disposable income that you provide through salary? It is less, is it not?

Ms Campbell: It depends on whether or not they had a salary advancement as well.

Senator CAMERON: What if they did not get a salary advancement?

Ms Campbell: Then they would have had a pay increase of 1.5 versus CPI of 2.25.

Senator CAMERON: What does that mean in real terms for a worker? What does it mean for one of your employees?

Ms Campbell: That they would have had a pay increase of 1.5 per cent.

Senator CAMERON: And inflation goes up—

Ms Campbell: By 2.25 per cent.

Senator CAMERON: So that means that they have got less disposable income as inflation rises, is that correct?

Ms Campbell: The increase was less than the CPI.

Senator CAMERON: So, in the context of what you were offering, it was a pay cut, a reduction in living standards, for your employees?

Ms Campbell: For some workers the pay increase was less than CPI.

Senator CAMERON: For those 'some workers' that you have now conceded are going to get a reduction in pay, less than the CPI, how many would that include?

Ms Campbell: I think those people who were not entitled—

Senator CAMERON: Who would not get a salary advancement?

Ms Campbell: About 70 per cent.

Senator CAMERON: So the bulk of the workforce are not going to get any benefit out of these increments?

Ms Campbell: They have already benefited from those increments over many years.

Senator CAMERON: So they do not get any option to get an increment; they are on a 1.5 per cent offer. We all know what it is. Even though you just refuse to accept the reality of that, we know what it means. We know that if you get an offer on your executive salary less than inflation, you have less disposable income. That is correct, is it not?

Ms Campbell: I think everyone determines how they spend their income and, yes, clearly 1.5 is less than CPI in the year that was indicated.

Senator CAMERON: So the offer is not a very attractive offer, is it?

ACTING CHAIR: Well, the offer is imaginary, isn't it, because it has been taken off the table?

Ms Campbell: It has.

Senator CAMERON: It is not a very attractive offer, is it?

Ms Campbell: To some staff it is not attractive; to other staff it is attractive. There are some staff whose retirement, for example, is imminent, and they would be happy with 1.5 per cent.

Senator CAMERON: How many is that?

Ms Campbell: I do not have numbers on it. It is just anecdotal. Some people would find it attractive. Many of the staff—

Senator CAMERON: I think you are scrambling, quite frankly, to try to justify what is a very poor offer in the minds of your staff and an offer that is below inflation and means a pay cut. Are senior executives being offered less than CPI increases?

Ms Campbell: They have not been offered any pay increase.

Senator CAMERON: Is that the position—they will not be offered any pay increase?

Ms Campbell: At the moment they are not being offered any pay increase.

Senator CAMERON: Senior executive salaries are fairly high. What is the assistant secretary's salary?

Ms Campbell: I do not have the range with me. We can see whether we can find it.

Senator CAMERON: It is significantly higher than for your call centre staff?

Ms Campbell: They do different jobs. They work different hours, they have different responsibilities, they have different training.

Senator CAMERON: But you are not arguing this on equity, that there will be a sacrifice by senior executives?

Ms Campbell: Sorry, I do not understand.

Senator CAMERON: You are not arguing that senior executives are not getting a pay rise and therefore—

Ms Campbell: No, I did not draw any parallels whatsoever.

Senator CAMERON: Are you proposing to increase the salaries of senior executive staff?

Ms Campbell: Not at this time.

Senator CAMERON: 'Not at this time'—what does that mean? When are you looking at it?

Ms Campbell: I am constantly looking at it, but at this time I think we need to resolve the salaries for our staff before we look at the Senior Executive Service.

Senator CAMERON: For obvious reasons.

Ms Campbell: I think it is a leadership issue.

Senator CAMERON: Is it a leadership issue to cut the living standards of your staff? Is that a leadership issue?

Ms Campbell: I was talking about the comparison of what we are offering to Senior Executive Service staff.

Senator CAMERON: At this stage that is zero.

Ms Campbell: I believe that we need to resolve the salary for the staff before we look at the Senior Executive Service.

Senator CAMERON: Why?

Ms Campbell: I think it would be untenable for us to not resolve that as a greater priority before we looked at an increase for the staff—

Senator CAMERON: The possibility could be that you enforce the government's salary position on staff—which is a reduction in the standard of living—but once that has been done, senior executive could get a pay increase above—

Ms Campbell: No, Senator, I never said that.

Senator CAMERON: Is that a possibility?

Senator Payne: Senator Cameron, I would have thought there was a myriad of possibilities that you could put to the Secretary, but she has made it quite clear what the situation is at the moment.

Senator CAMERON: When I asked you, Mr Hutson, about the key productivity issues, the first one was increasing working hours—which is not productivity; it is longer hours. You also mentioned: a minimum-duty allowance, which is a cost-cutting issue; eligibility for part-time payment, which is a cost-cutting issue; the meal allowance, which is another cost-cutting issue; and the fifth was—what was it?

Ms Campbell: The start-up and shut-down in service Smart Centres—

Senator CAMERON: That is not a productivity issue—it's longer hours.

Ms Campbell: They are already there, Senator.

Senator CAMERON: What was the sixth one?

Mr Hutson: I talked about changes in salary-advancement arrangements.

Senator CAMERON: Salary advancement is not a productivity issue. Have you got any real productivity? Is productivity just a slogan? This is not productivity by any stretch of the imagination, is it?

Ms Campbell: I consider that some of them are productivity.

Senator CAMERON: Tell me where.

Ms Campbell: The start-up and shut-down in the Smart Centres, where staff members are sitting at their desks and they were provided with 15 minutes, and now we are envisaging that they will only have 10 because the IT systems are quicker in starting up. There could be better use of their time than just sitting there—answering phone calls—

Senator CAMERON: How many staff would that encapsulate?

Ms Talbot: It is about 10,000 staff.

Senator CAMERON: How many staff do you have?

Ms Campbell: About 34,000.

Senator CAMERON: Have you calculated the productivity benefit of that in terms of costs?

Ms Talbot: I do not have those figures with me, but, yes, we are able to determine that for increase in minutes how many calls could be taken.

Senator CAMERON: This is sophisticated productivity, is it? Is that as sophisticated as it gets on your productivity agenda?

Senator Payne: That is what a Smart Centre is, Senator.

Ms Campbell: When we are bargaining we talk to both the CPSU and non-union bargaining agents and seek ideas from them around productivity as well.

Senator CAMERON: If there is industrial action, what will you put in place to make sure that customers continue to get payments?

Ms Campbell: We have a number of contingency arrangements in place, and Mr Tidswell might be able to come to the table and talk more about how to make payments. Probably the most simplistic way of thinking about payments was, for example, is we had an outage in our systems, the Reserve Bank holds the payment script that we paid a fortnight ago on any given day so we could run that script again to ensure that people were paid.

Senator CAMERON: Can you run that script indefinitely?

Ms Campbell: Not indefinitely.

Senator CAMERON: What is the limit?

Ms Campbell: Any time we do that, of course, there is a risk that we will be making incorrect payments and so we would only do it if we had no alternative.

Senator CAMERON: What if you have no alternative and you are facing industrial action, how long can this last?

Mr Tidswell: Obviously people's entitlements will change—things will occur in their set of circumstances—but we could continue to pay people for some considerable period of time. Some people will cease to be on payment.

Senator CAMERON: Yes.

Mr Tidswell: Some people will pass away.

Senator CAMERON: Yes.

Mr Tidswell: Some people will have babies in that period of time. There will be things where there will be circumstance change, and will we need to develop approaches and processes if this action was put in place. So we do not have a definite time to say. But we definitely have a past payment history. And, for a good proportion of the population, circumstances do not change.

Senator CAMERON: I suppose for your productivity improvement through cutting the meal allowance—that really is a joke—the savings you make on that would be infinitesimal compared to the cost of trying to deal with this problem that has arisen because of this crazy policy on bargaining. It would be infinitesimal, wouldn't it?

Ms Campbell: We will continue to work through the options, as Mr Tidswell said, about how we would put in place contingency arrangements.

Senator CAMERON: But when you bargain you have to weigh up the costs and the benefits. There could be huge costs in terms of what you are arguing are benefits. You could have come here and said, 'Here is the sophisticated productivity agenda; it is going to make everything really work well within the DHS, and here is how you deliver it. This is productivity.' But you come here and talk about cutting allowances. You talk about making people work longer. It is just cost cutting. It has nothing to do with productive performance. And you

have told us already that one of your biggest impediments is your IT system. That is a huge impediment to your productive performance, isn't it?

Ms Campbell: We have looked for other opportunities in the business, in the department, to provide—

Senator CAMERON: It just looks as if it is not there.

ACTING CHAIR (Senator Smith): Senator Cameron, just for your information, I am going to let you continue for another 10 minutes of questioning. Then I will do other senators the courtesy. If there are no other questions from other senators, I will let you continue.

Senator CAMERON: Thanks, Acting Chair. We are talking about workers. Is \$60,000 the salary rate for your call centre workers? And is it less for part-time workers?

Ms Campbell: If they work part-time hours, it will be less than full-time.

Senator CAMERON: Yes. We are talking about workers that might be battling to pay the bills. But if you are SES Band 3, you would not battle because you are on \$286,500 to \$388,500. That is correct, isn't it?

Ms Campbell: They are two different jobs with people with different skills doing those jobs.

Senator CAMERON: Are they? I am not saying there is not a lot of different jobs. But I put this to you, Ms Campbell: if you get a salary offer of 1½ per cent, it is not a problem for you. If you get a cut of two per cent, it is not a problem for you because you are on \$388,000 a year.

Ms Campbell: Some of our staff work in regional Australia and they do earn \$60,000 a year. Some of them say to me that that is quite a good wage in the environment that they operate in.

Senator CAMERON: Oh, they must be ecstatic. I suppose \$388,500 is not a bad rate for an SES Band 3 person?

Ms Campbell: Those officers have certain skills and certain responsibilities. That is what they are paid for.

Senator CAMERON: You are SES Band 3 people and SES Band 2 people—

Ms Campbell: I am not an SES Band 3 officer.

Senator CAMERON: Okay. So you are on about a quarter of a million? I do not want to make this on you, all right. I do not want to do that. I am not going to do that. But SES Band 2 and SES Band 3 are up to \$248,000 at the top level of Band 2 and \$388,500 at the top level of Band 3. They would not know what it is like to have to manage on \$60,000 or on a part-time job, and yet you still want to cut people's wages.

ACTING CHAIR: Secretary, by way of a comparative exercise, for someone working in regional and rural Australia on a salary of \$60,000, could you, perhaps, tell us how many people they would be expected to manage, for example, as opposed to someone at an SES band level—just to give us a sense of what those different sorts of responsibilities might actually mean in practice.

Ms Campbell: In practice, someone in a call centre probably does not manage anyone but themselves. If I take Mr Tidswell, for example, who is a band 3 officer, he has some 21,000 staff in 423 locations throughout Australia. Mr Tidswell is available 24/7. He and I talk frequently about various incidents that may be happening in different locations, whether it is staff or customer impacts.

ACTING CHAIR: And you would be on call, effectively.

Ms Campbell: He is on call 24/7.

Senator CAMERON: And well paid for it.

Ms Campbell: He is well paid.

ACTING CHAIR: We have a professional civil service in our country.

Senator CAMERON: But the problem is: you can easily say, yes, the senior executive staff are well paid, but you cannot be saying that for some of your lower level staff—who do not have the responsibilities; I am not arguing that. But the problems for a worker in regional Australia, for a worker in metropolitan Australia, for one of your workers in Perth, are quite significant—as a call centre worker trying to buy a house, trying to make a living. It is not easy, and you are cutting the living standards back. That is what you are doing, aren't you? You should just admit it. You should just concede that point.

Senator Payne: Senator, I think one of the aspects of the discussion and the processes of bargaining that you are perhaps not taking into account is the historical aspect. Over the past 10 years or so, the median total reward for all APS classifications, for example, totalled about 42 to 43 per cent. In the same period, the total annual CPI increases were 27 to 29 per cent. I am not saying that governments do not have to make difficult decisions and I

am not saying that, at a point 10 years ago, five years ago or today, people's circumstances are identical, but I think the comparison there is an important one.

Senator CAMERON: Thanks, Minister. I might leave this. I might come back to this as we go along. Can I move to another issue, Chair?

CHAIR: Senator Reynolds had questions on the same issue, I think. We will come back to you.

Senator REYNOLDS: Ms Campbell, I would just like to pursue a couple of issues that Senator Cameron raised, to get a bit of clarification if I could. In relation to your comments that the negotiations had been delayed and went through Fair Work and now are off the table, I understand that CPSU has made claims that your department has delayed bargaining and actually walked away from the table. Could you comment on those claims a bit further, please.

Ms Campbell: We do not agree with those claims. We think we bargained in good faith as soon as the Australian government framework was available and we have continued to bargain throughout that period. Mr Hutson might have some dates or something that might be useful, but we do not accept that we ever walked away from the table.

Mr Hutson: The government bargaining framework became available on 28 March of this year, and it is probably fair to say the department took that immediately as something that we had to give a significant priority to. We were one of the very early departments to issue a notice of employee representational rights, and my recollection is that that was 3 June. In the period between then we were very focused because we had given the desire, particularly, to be able to put a vote in front of staff as early as we can. We knew, given the bargaining framework, that the offer which we were likely to be able to make was going to be modest. In particular, we had a salary advancement arrangement which was going to kick in under our current agreement on 1 September, which was going to cost us \$62 million. We were very keen on putting in front of staff the option of deciding whether or not that money should be paid to the 30 or so per cent of staff that would have received it or whether or not we should have been able to divide that across all of our troops. That was something we wanted to give the staff the right to make a decision about. That did require the implementation of a new agreement by 1 September.

What we did, as July was progressing, was put our pay offer on the table—which was the pay offer that Ms Campbell mentioned—as well as our draft agreement. I might add that I do not believe that there is any other government department that have been able to get to that stage so far, so we really are very advanced. Claims of delay by our department really are, I would have to say, just not true. What then happened was we asked the bargaining room, which consists of CPSU and non-union bargaining representatives—and there is also the ASMOF, which represents medical officers—to give us comments on our draft agreement and draft offer. Those comments were due on 28 July. However, the CPSU decided to approach Fair Work, seeking a conciliation, I think, because they effectively did not want us to put the offer to a vote prior to them having further time to consult their members. That was something that we found kind of disappointing, particularly since at that stage we had actually had 20 bargaining meetings, which is a lot.

Senator REYNOLDS: Twenty?

Mr Hutson: Twenty. Twenty bargaining meetings. We had an intensive bargaining framework. Everyone knew we were very much aiming to try and get a vote up by 1 September. So, at the death knell, to go off—

Senator REYNOLDS: That was 20 in August?

Mr Hutson: No, that was 20 in June and July. On 28 July, following their approach to the Fair Work Commission, we agreed to allow the CPSU more time to consult with their members, noting that that meant that the pay offer which we had made had to come off the table.

Senator REYNOLDS: But by that stage you had had 20 meetings.

Mr Hutson: Twenty meetings. That is right; we had had 20 bargaining meetings. The CPSU then consulted with their members and they came back with a verbal response. We had asked for a written one but they declined to provide that.

Senator REYNOLDS: Is that unusual that they would only provide advice verbally, not in writing?

Mr Hutson: I probably cannot comment on that. We certainly asked them for a written response, and some other, non-union members in the negotiations did provide us with a written response. That was provided on—

Senator REYNOLDS: Apart from anything else, I would have thought that would have been useful information for their members, having their advice in writing.

Mr Hutson: I probably cannot comment!

Senator REYNOLDS: No—I guess I am asking you to speculate on that.

Mr Hutson: That led us to the bargaining meetings commencing on 3 and 4 September. That was over two days, which of course takes us to 24 days of bargaining meetings. We advised the bargaining room at that time that we were going to have to take some weeks to consider the detailed feedback which we had received.

Senator REYNOLDS: In writing, by then?

Mr Hutson: No, we have never received it in writing from the CPSU. This week, we advised that we were ready to respond to that feedback and we proposed to do that in the week commencing 3 November. At this stage, certainly a fair number of the non-union bargaining representatives and the CPSU have indicated their availability to commence in the first week of November.

Senator REYNOLDS: Okay. Thank you. That is a very clear answer to my question. I understand that the National Secretary of the CPSU claimed your department was removing 60 per cent of staff rights and conditions in the agreement that has now been withdrawn. Are you able to tell me anything more about that claim?

Mr Hutson: Again, we do not agree with that claim—

Senator REYNOLDS: But you have heard that claim?

Mr Hutson: I have certainly heard that claim. We do not agree with that claim. Under the government's bargaining policy, we are required to streamline our agreement, which means two things in terms of reducing the overall size of the agreement, with the goal, I think, of make it easier to read. The first big thing is that, where material is referred to that is in legislation elsewhere, we are not to repeat that reference in the agreement. A fairly simple example would be the definition of 'ongoing employee', which is defined in the Public Service Act—or, indeed, if something is in the Fair Work Act, we should not repeat those terms and conditions in the agreement.

Senator REYNOLDS: So it might be a 60 per cent reduction in the verbiage but not in the actual entitlements themselves?

Mr Hutson: That is right. The 60 per cent, we think, refers to the reduction in the size of our agreement. Our current agreement is—

Ms Talbot: The CPSU actually said in *The Bulletin* on 4 July that the 60 per cent figure was about reducing the detail of employees' terms and conditions. And further: 'That is more than a 60 per cent reduction in the detail outlining your terms and conditions.' They made mention that the current 140-page agreement had been distilled to just 42 pages.

Senator REYNOLDS: So the current agreement is 140 pages—

Ms Talbot: Senator, 114.

Senator REYNOLDS: I imagine that it would be a bit difficult for most of your employees to really get across the terms of the detail. So the idea is to streamline it and make it easier not only for your staff to manage but also for your employees to understand what their entitlements are. The 60 per cent is what seems to be a sensible reduction in verbiage. Is that correct?

Ms Talbot: There is a lot of detail in the current agreement around process that is better placed in policy.

Senator REYNOLDS: It is not a 60 per cent cut in their entitlements?

Ms Talbot: No, absolutely not. It is quite clear that the bargaining policy says you must have details in your agreement about entitlements and conditions.

Senator REYNOLDS: My final question is that I understand that the CPSU may also be claiming that you are seeking to reduce staff superannuation by, I think, a quantum of somewhere around six to 10 per cent. Have you heard those allegations, those claims?

Mr Hutson: There was a provision inserted in the last agreement with respect to a very particular type of thing. I have a story which I explain to my staff about how superannuation works, but it is kind of long, so I will condense it for the purposes here. The only schemes that we are talking about are schemes that relate to people who joined the Public Service after 2005. For the most part, our employees who joined the Public Service after that date are members of the scheme called the PSSap—Public Sector Superannuation accumulation plan. Under the terms of the trust deed of the PSSap, the department is required to contribute 15.4 per cent of their salary—we use ordinary time earnings, which is a superannuation term—to the Commonwealth Superannuation Corporation. We do that. The 15.4 per cent is duplicated in our current enterprise agreement and, consistent with the principle that we should not be duplicating material contained in the other employee related legislation, the proposal is that we would rely on the trust deed, which, as I said, requires us to make the 15.4 per cent payment. There is no proposal from the department to reduce superannuation at all.

Senator REYNOLDS: So this is a technical provision, or technical wording, to actually comply with requirements, to harmonise and to get rid of some paperwork, rather than an actual cut to anybody's superannuation?

Mr Hutson: Absolutely right.

Senator REYNOLDS: I was going to say, Mr Hutson, that if you have worked out how to simply explain our superannuation scheme, I think you could share it around with the rest of us!

Ms Talbot: It is quite a long story. It takes a long time!

Senator CAMERON: I want to move on to the Telstra call centre fiasco.

Ms Campbell: I think we know what you are talking about.

Mr Hutson: I am not sure that we do.

Senator CAMERON: Have you entered any contractual arrangements with Telstra around the call centre work?

Ms Campbell: We have an existing contract with Telstra called the managed telephony contract, I think—MTS; we are just not quite sure what the S stands for—which has been in place for some years. A part of that contract allows us to enter into an arrangement with Telstra to provide contact services. We have not entered into that arrangement at this time.

Senator CAMERON: That is a business contract with Telstra?

Ms Campbell: That we have in place.

Senator CAMERON: Are there any implications in that business contract for the enterprise agreement you have with the CPSU?

Ms Campbell: I do not see the connection with the enterprise agreement.

Senator CAMERON: There is no connection?

Ms Campbell: We have a requirement to consult, which we are doing with the CPSU.

Senator CAMERON: Why didn't you consult prior to this becoming such a public issue?

Ms Campbell: We consulted, and then it became a public issue. That is my understanding. We were going about our business, and the CPSU made it a public issue as part of our consultation.

Senator CAMERON: Can you provide details on notice of where and when the consultations took place.

Ms Campbell: Yes.

Senator CAMERON: That would be handy. Is your intention to continue with the Telstra arrangements?

Ms Campbell: We have the Telstra arrangements—they govern our phones every day—but for this particular element we are consulting. We have an extended period of consultation, and we continue to consult on that proposal.

Senator CAMERON: What does this contractual arrangement that you have with Telstra to provide telephony services actually say that you claim allows you to use a couple of hundred Telstra employees in DHS? Tell me that clause. What is it?

Ms Campbell: I do not think they are Telstra employees. Telstra would act to facilitate some of that support.

Senator CAMERON: So, it is Telstra or contractual employees—let's not split hairs.

Mr Tidswell: As I understand it—and we will make sure we get this exact for you in terms of the contract arrangements—there is a provision in the contract that we have signed with Telstra most recently that provides the ability for Telstra and us to be involved in projects and activities. That arrangement was in the previous contract that we had with Telstra, which I understand expires this calendar year, and our plans are to use that clause along with normal procurement processes. But, as the secretary said, we are having the conversation. We have started the conversation and we have not finalised the details in that sense, so we are still working through the arrangements.

Senator CAMERON: That is good. I am interested from my perspective on this. So projects and the clause you were saying—

Mr Tidswell: There is a broad category there—

Senator CAMERON: Projects and—

Mr Tidswell: I did not say anything more than projects, in the sense of projects and activities.

Senator CAMERON: Project and activities.

Mr Tidswell: I will stand to be corrected. We will make sure we get the exact information to you.

Senator CAMERON: Sure. I will not hold you to that, but that is broadly as you understand it: projects and activities?

Mr Tidswell: On the understanding of us and Telstra, that is the clause in the contract that enables us to talk to Telstra about assisting us with improving our performance in our contact centres.

Senator CAMERON: Who negotiated the clause?

Mr Tidswell: I am not quite sure who negotiated that clause.

Ms Campbell: We will take that on notice. It was some years ago.

Senator CAMERON: It was some years ago?

Ms Campbell: A couple or years ago.

Senator CAMERON: But you just renewed it.

Ms Campbell: I am not sure we are talking about the same thing.

Mr Tidswell: It is the current contract.

Ms Campbell: It is the existing contract with Telstra. We used to have—

Senator CAMERON: Can I just be clear on this, Ms Campbell. There is a clause that roughly says that Telstra can provide projects and activities. That has been there for some years?

Ms Campbell: For a couple of years, yes.

Senator CAMERON: A couple of years. In the contract, is there a definition of projects and activities?

Ms Campbell: I am not sure. We will take that on notice.

Senator CAMERON: When it was negotiated, was the discussion about Telstra providing contract labour to DHS?

Ms Campbell: I am not aware of what was discussed in the project clause, but at that time we had another contract, which was an overflow contract for call centres. So, it is not clear to me whether or not that was explicitly discussed, because there was already another contract in place for overflow.

Senator CAMERON: Have you used Telstra for overflow work?

Ms Campbell: I do not think we used Telstra; I think we used—

Mr Tidswell: No, Senator—

Senator CAMERON: Wait a sec. Did you have an overflow contract with Telstra?

Ms Campbell: We had an overflow contract with a provider which I do not think was Telstra.

Senator CAMERON: I am interested in the Telstra contract. We have got 'projects and activities' in broad terms. If I were a union official and I saw this, I must say I would not have been alert or alarmed. A union official would have thought this was about projects for telecommunications and activities that Telstra would engage in according to their speciality. But you define this—is this correct?—as allowing DHS to contract Telstra to engage contract labour to come in and do work that is normally the work of DHS employees. Is that fair?

Ms Campbell: The proposal we are putting forward is for an overflow, surge-type capacity. In the past we have had a separate contract that was available to access overflow staff. I think that is probably the best way of doing it.

Senator CAMERON: With Telstra?

Ms Campbell: Not with Telstra.

Senator CAMERON: I am talking about Telstra.

Ms Campbell: I know, but it is the function.

Senator CAMERON: Can you provide details of the overflow contract?

Ms Campbell: We will take that on notice.

Senator CAMERON: I would like to see how the wording of 'projects and activities' sits against the overflow contract, which you say is specifically about overflow. Are you with me?

Ms Campbell: I—

Senator CAMERON: You have two contracts, right?

Ms Campbell: We will take it on notice.

Senator CAMERON: I just think it is too cute by half to say that 'projects and activities' means that we can bring 200 contract workers into DHS and that that is all going to be hunky-dory—nobody will have a problem with that.

Ms Campbell: We are consulting on this issue.

Mr Tidswell: The thing that we are trying to do with this arrangement—if we go ahead with this arrangement—in the conversations we have, is to ensure we get the best possible contact centre arrangements, support and guidance. They are a world-leading company and a great Australian company.

Ms Campbell: Who is a world-leading company?

Mr Tidswell: Telstra is the company.

Ms Campbell: You are not using Telstra.

Mr Tidswell: They are effectively able to provide us with the smarts and capability that can improve our performance. Those are the sorts of things we are very interested in getting, in how we manage our work and activity so that we can improve our service to Australians.

Senator CAMERON: So you do this by bringing 200 people in—casual workers; they could be off DHS—into a job. What were the checks and balances in terms of quality control for these 200 workers?

Mr Tidswell: Those are exactly the sorts of things we are working our way through now.

Senator CAMERON: You are working your way through that!

Mr Tidswell: We only used the previous overflow contract—not with Telstra—once.

Senator CAMERON: This is too cute by half.

Mr Tidswell: The only reason we used it once was that we were not able to provide those outsourced providers, established in 2011, with access to our system. So this time we are having staff to assist us, using our capability and our systems to ensure the privacy and safety of customer information.

Ms Campbell: And our focus here is to provide the best service we can to Australians, to provide prompt service to the people who access our services.

Senator CAMERON: But you have absolutely no idea of the quality of the people who are coming in, other than that Telstra is hiring a contractor that you are taking on face value are going to provide—what?—more innovation or more productivity or what?

Ms Campbell: I do not think we have ever said that.

Senator CAMERON: What are you saying?

Ms Campbell: I think Mr Tidswell has just gone through it. We are working with Telstra, who has expertise in call-centre contacts, about how we run the call centre. And we are having people, through Telstra, to provide that expertise.

Senator CAMERON: You think Telstra has these special skills. I am sure there would be lots of people listening-in, who are thinking, 'You've got to be kidding! Telstra are experts?' I know when you ring Telstra you can have all sorts of problems. I do not think that a lot of people would consider them experts, but that is a value judgement. I am not asking you for any comment on that.

This just seems to be a cute way of using this contract. Somebody has sat down and said, 'Oh, we can bring in contract labour.' What are the rates of pay that were going to apply to the contract labour that was going to be sitting beside your DHS employees?

Ms Campbell: That is part of the proposal that we are working through. It is probably worth reiterating that this is a proposal. This is a proposal we were consulting on with the CPSU that has now gone to Fair Work and we continue to consult on this proposal. At the same time, we are working with Telstra through these issues.

Senator CAMERON: Are you telling me that you had not discussed with Telstra the rates of pay and conditions that would apply to these 200 employees who came onto a DHS site?

Ms Campbell: I am not sure whether that has been discussed at all.

Mr Tidswell: No. We have not talked about dollars in that sense. This is a broad proposal and very early in the piece. Exactly as we need to do, we talked to the CPSU about our intention and we continue to have those conversations with the CPSU, and we continue to have conversations with Telstra. We have not landed this approach. It is, at the moment, a proposal.

Senator CAMERON: In the scale of changing the ISIS system, this is not a big deal but it is still a significant logistical endeavour to bring 200 people into the existing DHS functions.

Mr Tidswell: Over many years we have had quite a range of flexible approaches to engaging staff. Not all that long ago, we would have engaged labour hire companies to provide staff for us. We ceased that some years ago.

Senator CAMERON: Is this the equivalent of using a labour hire company—it is just Telstra?

Mr Tidswell: No. It is about trying to look at where we can use the market to get the best approach to improve our flexibility, our capability and our service for Australians.

Senator CAMERON: Is it part of your research and development?

Ms Campbell: I do not think we have ever said that.

Senator CAMERON: If you are learning from Telstra, is it part of your research and development?

Ms Campbell: That is why we engage with the private sector on many occasions so that we can take advantage of their expertise.

Senator CAMERON: You were provided funding in the last Labor government budget for extra DHS call centre staff, weren't you?

Ms Campbell: We were and we engaged irregular and intermittent staff for that function.

Senator CAMERON: But they were direct employees?

Ms Campbell: They were direct employees.

Senator CAMERON: Was all that funding used for that purpose?

Ms Campbell: It was used by September last year.

Senator CAMERON: No contract has been signed. There is an ongoing discussion with Telstra. I am unclear whether this is about research and development, an innovation exchange, skills exchange or just a cost-cutting exercise to get 200 bums on seats at less pay than that of DHS employees. I think I need to know these issues. So when will you be able to tell me these things?

Ms Campbell: We are consulting with the CPSU.

Senator CAMERON: You are consulting—

Ms Campbell: As we are required under our enterprise agreement—

Senator CAMERON: Is it going to be as efficient as your consultation on the enterprise agreement? That is the problem.

Ms Campbell: Under our existing enterprise agreement we are required to consult with our staff and their representatives and we are doing that.

Senator CAMERON: Consultation means that you simply sit down with them and you advise them of what you are doing—is that it?

Ms Campbell: No.

Senator CAMERON: Is it an information exchange, or is it a proper consultation?

Mr Tidswell: We have had a range of meetings and we will continue to have those meetings. We will also talk directly to our staff about what our plans are. We will continue to talk to Telstra to try to flesh out the approach of the proposal. We go back to the Fair Work Commission with the outcome of that consultation. I do not have the date in front of me—I think it is 13 November.

Senator CAMERON: Are you seriously telling me that it was that unprepared that you ended up in national newspapers around the country on the basis of some idea that was totally half-baked? Why did you let yourself get in that position?

Ms Campbell: We went in good faith to negotiate with staff and their representatives—

Senator Payne: As we are required to do—

Ms Campbell: as we are required to do in the enterprise agreement. It was the CPSU who have made this a public item.

Senator CAMERON: I am not surprised because it is so half-baked. If the CPSU did not do it I would have been surprised. You must have thought and given some consideration to the fact that, once you sat down and told the CPSU, 'We will get this half-baked idea, we do not know what we are going to pay people, we are putting 200 bums on seats, we do not know who the contractor is but we are using Telstra and it is part of our innovation,' no wonder it became public.

Ms Campbell: It is very difficult to work out what will satisfy the needs of consultation. Do we work up a strategy in infinite detail and then go to our staff representatives who would then say, 'You haven't consulted,' or do we consult early with them? It is difficult for us to be able to walk that fine line.

Senator Payne: That is a point very well made by the secretary, Senator.

Senator CAMERON: I want to make another point as well. The point is that you can work up whatever plan you like. I am sure there are plans worked up all the time. And you can come to the CPSU and you can say to the CPSU, 'We've got a view that we want to get Telstra, who are "experts" in this area, to get a contractor to use 200 people and put them in there for these reasons. Let's talk about it.' But you could not tell them the classifications and you could not tell them what the pay rate was, could you?

Mr Tidswell: That is because we came in early on the proposal, because we have not fleshed it out. We are in the process of consultation. My information on 17 September—we spoke to the CPSU shortly after this was in the media—

Senator CAMERON: Let me come back to Telstra—

Mr Tidswell: and the arrangement was to try to work our way through how that is all going to work within our setting.

Senator CAMERON: This seems really bizarre, to be honest. You claim Telstra are the experts. Others would say they are not. What is the expertise that Telstra and you believe that you bring to this?

Mr Tidswell: One of the things that we have with this new managed telecommunications service contract is state-of-the-art contact centre capability that will be progressively rolled out over the next 12 to 18 months. Telstra is in an ideal position to help us and guide us and shape how to best use that—that is, how calls arrive at agents' phones, how we schedule work, the use of our IVRs, the new technology we have in play. It is logical for us to try and partner with them to assist us to get the most out of that extraordinary technology that we will have.

Senator CAMERON: So this is a technology issue?

Mr Tidswell: It is a people issue, it is a process issue, it is a technology issue—it is all that combined.

Senator CAMERON: Surely there is an option that Telstra's managers and team leaders, who know how this works, come in and train DHS staff on it, if it is so innovative and so great?

Mr Tidswell: I expect that we will get that by being in situ with that capability. As the secretary said, we also get the benefit of some surge and overflow capability at a very modest level, at 200 seats, deliberately to test this approach and process.

Senator CAMERON: It really is just about using—

Mr Tidswell: One of the things we have is the real challenging problem of meeting the peaks of demand that hit us at certain periods of time, and we need to get—

Senator CAMERON: Why don't you just say that and stop all the waffle about innovation? You want to 200 bums on seats and that seems to me to be the underpinning issue.

Mr Tidswell: We want both. We want the smarts, the capability, the better use of systems and approaches—

Senator CAMERON: You want 200 bums on seats, and you cannot tell me what they would be paid, you cannot tell me the skill level that would be there, and you have this waffle about some innovation that is around from Telstra. Can you provide me with details of this innovative process on notice?

Senator Payne: We will take it on notice, Senator, but you would be aware that the department is under direction, for want of a better word, in relation to negotiations through Fair Work Australia. The department is also required to respond in that regard. This is an ongoing process for us. Frankly, it is not beyond the realms of imagination that, if the department had gone in the consultation process to the CPSU with an i's dotted and t's crossed plan for wage levels that you want and categories that you want, the outrage expressed by the CPSU would have been that we had not consulted on preparing that process. So, quite frankly, I think the department has taken a very constructive approach.

Senator CAMERON: That is your view.

Senator Payne: Indeed, because I have seen both happen. Given your long experience, I am sure that you have seen both sides of the coin as well.

Senator CAMERON: Yes, and I know how you do not negotiate. I know how you do not introduce contract labour. This would be, in my view, an example for people not to follow.

Senator Payne: I have been lectured by Labor politicians long before you got here and I am sure it will happen long after we both leave about the right and wrong ways to negotiate. Quite frankly, it seems to me that when the situation is convenient, one is right; and when it is not convenient, the other is right.

Senator CAMERON: You are responsible for this fiasco. That is the bottom line.

Senator Payne: We would actually disagree. If you were fiasco, maybe go and look at the Labor Party in New South Wales. This is not a fiasco. This is in fact a process that the department has constructively engaged in.

Senator CAMERON: It is very efficient, is it? I will put the rest of my questions to the whole of the department on notice.

CHAIR: I am just interested in Indigenous employment within the department. I am firstly interested in the location of Indigenous staff. How many Indigenous staff are there in the department? I am interested in some of the spread around various offices around the country.

Senator Payne: We have a very high record in comparison to the rest of the APS.

Ms Campbell: Four per cent of DHS staff identify as Indigenous. Sometimes, in our census the number is even higher. I will see if we have got someone here who can talk to us about locations. They are generally throughout Australia. We have a lot of staff in locations like the Northern Territory.

Mr Tidswell: In northern Queensland as well we have a high representation. In some of our staffing teams up there, a high 20 per cent of our total staffing team are Indigenous. That is in far northern Queensland, the Northern Territory and right across Australia. We are very proud of it.

Ms Campbell: While, we might not have the exact details, one of the things that I am most proud of is watching Indigenous staff take on leadership and management roles in our service centres, particularly in remote Australia. We have had a strategy and process in place of many years of mentoring to give people the skills and experience and to develop those skills to be able to take over those centre manager roles. I think we all very pleased to see that come into play.

CHAIR: So there are four per cent across the department. The minister said that is higher than the APS average. We know what the APS average is?

Ms Campbell: 2.3 per cent.

CHAIR: So it is near on double. Has that come about as a result of a deliberate strategy?

Ms Campbell: It has.

CHAIR: Are you able to just outline what some of those are? You mentioned one there.

Ms Campbell: I think one of the very pleasing processes we run is an Indigenous apprenticeship program. We take Indigenous Australians—we took about 100 last year—and work with them in a structured mentoring program and also a certificate IV in government or service delivery. We put them through those courses. We also have a cohort that comes together and is developed together, so that they have a supporting infrastructure. We also use special measures to ensure that Indigenous people are not put off by some of the recruitment-type activities in the public servers, such as selection criteria and like. We help them work through those.

Mr Hutson: That is right. Our commitment to Indigenous employment within the department is really both broad and deep. For example, we have recently put all of our senior executives through cultural awareness training phase 1. They are all about have cultural awareness training phase 2. That is to ensure that the most senior people across our department have a clear understanding of Indigenous culture in the sense that that will affect the way in which they manage and supervise Indigenous employees. Recruitment is great, but we have actually got to go for retention as well. We have got a keen program on that.

CHAIR: You said there is a higher concentration of Indigenous staff in certain areas—I do not think you have those details here. Perhaps you could give us that on notice. Is there a big split between the central office in Canberra and the regional offices in terms of the proportion of Indigenous staff?

Ms Campbell: Anecdotally it would seem we have more Indigenous staff in the regions. In Canberra, while we do have some Indigenous staff we are still working through that. We ran the Indigenous apprenticeships program in Canberra this year and I think we took on 10, and we are looking to do more next year to encourage them in Canberra as well.

Senator Payne: One of the things I experienced early in my period as the minister was, when visiting a remote centre in the Northern Territory, on the journey from Alice Springs to the centre, being given my own cultural awareness briefing, if you like, by one of the staff who does that regularly. I found that a particularly valuable engagement. The secretary is quite right, one of the senior people in that centre is a local man who is an

up-and-comer, I would say, in the DHS ranks in terms of his capacity. Also we go out of our way to make sure that our staff who identify as Indigenous around Australia who are in leadership positions have the opportunity to visit Canberra as well. Earlier this year I met with all of our remote centre managers who came to Canberra, the vast majority of whom are Indigenous Australians. We brought them to Parliament House for a meeting here—being constrained by sitting hours, I was not able to get to Tuggeranong on the day. That sort of engagement is very important in terms of familiarising them with what we do at this end and familiarising us with what is done in our regional and remote areas.

CHAIR: You are at four per cent now. Over the past few years has the trajectory been going up significantly?

Ms Campbell: We were 3.8 in September last year and we have gone to 4. I think a couple of years ago we were 3.4. And we are aspiring to go even higher.

Senator CAMERON: I am going to try to finish as close to 1 o'clock as I possibly can—I have two items that I need to deal with.

CHAIR: We will be finishing at one o'clock.

Senator CAMERON: No, you will finish when I have finished my questions, thanks very much.

CHAIR: We will not be finishing after one o'clock, so we have to deal with your questions before one. I think we are scheduled for four hours.

Senator CAMERON: I am entitled to ask my questions until I have exhausted them. I will try to finish fairly early—

CHAIR: Not beyond the timing.

Senator Payne: It is a hard cut-off.

CHAIR: It is a hard cut-off.

Senator CAMERON: It is not a hard cut-off.

CHAIR: It is a hard cut-off. The standing order does not apply to an extension of hours.

Senator CAMERON: I need some advice from the secretary.

CHAIR: We have four hours—that is what was scheduled.

Senator CAMERON: You cannot make the call—you cannot overturn standing orders.

Senator Payne: Senator Cameron, can we please seek to act cooperatively.

Senator CAMERON: Minister, I am going to try to get everything done but I am not going to be threatened, okay?

Senator Payne: I appreciate that. My understanding is different from the one you have just been given as well.

Senator CAMERON: I have just had advice.

Senator Payne: I gather that. I might get some of my own.

Senator CAMERON: I would take the advice of the secretary and the clerks all the time. Let us try to get it done as quickly as possible. On program 1.1, there were reports on Sunday 12 October concerning a mailout by the Prime Minister to pensioners. You are well aware of that?

Ms Campbell: Yes.

Senator CAMERON: Can you confirm that DHS sent the letter?

Ms Golightly: Yes, we did mail out the letter.

Senator CAMERON: Was it a stand-alone item?

Ms Golightly: Yes.

Senator CAMERON: How many letters were sent?

Ms Golightly: Approximately 1.7 million.

Senator CAMERON: Who instructed DHS to send the letter?

Ms Golightly: We were asked about the letter by the Department of Social Services.

Senator CAMERON: You were asked about the letter? What does you 'were asked about the letter' mean?

Ms Golightly: Sorry, asked to send the letter.

Senator CAMERON: Yes, they instructed you to send the letter. When was that?

Ms Golightly: About 25 September.

Senator CAMERON: Can you table a copy of the letter?

Ms Golightly: The Prime Minister's letter?

Senator CAMERON: Yes.

Ms Golightly: I could see if we could get a copy, yes.

Senator CAMERON: Thank you. What was the total cost of sending the letter from the Prime Minister?

Ms Golightly: To send out the letter, the costs of production and postage et cetera were \$1.2 million.

Senator CAMERON: Can that be broken down into production and postage costs?

Ms Golightly: We could; I would have to take that on notice.

Senator CAMERON: I appreciate that; you can take that on notice. How has the DHS paid for the mail-out? Did DSS pay for it?

Ms Golightly: We have paid for it. We are talking to the Department of Social Services about funding the letter.

Senator CAMERON: Is this normal?

Ms Golightly: We would normally pay for it, yes. We have funding from the department and other departments to do mail-outs—postage and distribution.

Senator CAMERON: When you say that you have paid for it—

Ms Golightly: Sorry, we have paid for it out of our budget.

Senator CAMERON: Out of the DHS budget?

Ms Campbell: DHS has a departmental budget—

Senator CAMERON: Is that the DSS part of your budget?

Ms Campbell: It is hard to categorise it like that. We have allocated money for mail-outs, and we have paid for it out of our mail-out budget.

Senator CAMERON: So, if you do not get reimbursed for that, does that then mean that you would not be able to make other post-outs, because of the cost of this one?

Ms Campbell: I do not think so. We would look across the years. Sometimes we underspend on this budget and sometimes we overspend, and we look at balancing it across other items within our budget.

Senator CAMERON: So you do a balance-up at the end. Who is in negotiations with DSS?

Ms Golightly: I have been talking to DSS about funding.

Senator CAMERON: So you are seeking to get funding reimbursed, are you?

Ms Golightly: If we need to. As the secretary just alluded to, we have a budget and at the moment it is able to be catered for.

Senator CAMERON: So you have provision within the DHS budget to pay, but you now want that topped back up, in the colloquial?

Ms Campbell: We always work out how much things cost so we can provide to policy departments the cost of some items. Sometimes they are affordable within the budget we already have allocated; sometimes they are not. We would be discussing this one, but \$1.2 million is probably affordable within our current mail-out budget.

Senator CAMERON: You posted it out?

Ms Golightly: Yes.

Senator CAMERON: Was it under the DHS logo or the DSS?

Ms Golightly: It had the Prime Minister's logo on it.

Senator CAMERON: Do you check the accuracy?

Ms Golightly: We were asked for advice on the facts in the letter.

Senator CAMERON: Was it your department, Ms Golightly, that checked off?

Ms Golightly: Yes, with DSS.

Senator CAMERON: In relation to the argument that pensioners would get an increase, that letter did not explain the different CPI outcomes, did it?

Ms Golightly: The changes that I think that you are alluding to are future changes.

Senator CAMERON: But it did not explain that, did it?

Ms Golightly: No, it talked about what was happening at the time.

Senator CAMERON: But the CPI increases are something that you have dealt with. In terms of the difference in the changes to the CPI, you have factored them into your advice, haven't you?

Ms Golightly: We have factored in the changes that have happened to date, not the future changes, because they have not happened yet.

Senator CAMERON: I will come back to that. The indexation does change, doesn't it? That was not mentioned in the letter, was it?

Ms Golightly: I think the letter, from memory, talked about the change in rates that has happened.

Senator CAMERON: Okay. Can you on notice provide me details as to how you checked this off and whether you—and I mean the department—raised the issue of the CPI indexation with the Prime Minister's department? If not, why not?

Ms Campbell: That would probably go to advice we were providing to government.

Senator CAMERON: That is not advice; that is fact checking.

Ms Campbell: You asked why we would not have put something in.

Senator CAMERON: Let me rephrase it then: can you advise me as to whether you fact checked and raised the issue of CPI with the PMO?

Ms Campbell: Can I clarify what you mean by CPI?

Senator CAMERON: The CPI is changing, which will mean that pensioners will be worse off. The CPI is moving from one CPI measurement to the other, and it will mean less payment.

Ms Golightly: I think the CPI change you are talking about is the one proposed for 2017.

Ms Campbell: No, he is talking about the definition of CPI.

Ms Golightly: Okay, sorry.

Senator Payne: We will take this question on notice.

Senator CAMERON: I want to try—

Senator Payne: I think it does constitute advice to government, but we will take it on notice.

Senator CAMERON: and do this last issue so that we are done and dusted. I think the farm household allowance comprises the majority of media releases by the minister.

Senator Payne: By which minister?

Senator CAMERON: By you, Minister Payne.

Senator Payne: I do not think that is correct.

Senator CAMERON: On a single issue I think it is the biggest.

Senator Payne: If there is another single issue, then that is probably the biggest on that as well. That is a very confusing approach, but nevertheless—

Senator CAMERON: It is not confusing. It has made a regular appearance in your press releases.

Senator Payne: I am very pleased with what the government has been able to do.

Senator CAMERON: That is good. How many applicants have been approved and are receiving the money?

Senator Payne: I am happy to answer the question but I also have officers here who can assist with the finer detail.

Ms Golightly: There have been 4,000 farm household allowance claims approved.

Senator CAMERON: How many are actually receiving the money, as distinct from approvals?

Ms Ryan: As at 17 October there are 4,011 recipients in receipt of farm household allowance.

Senator CAMERON: How does that compare with the number approved? Ms Golightly said 4,000 approved, and you said 4,011 recipients.

Ms Ryan: I will clarify that. Of the 4,000 we did a bit of rounding. As of 17 October, 4,098 claims for farm household allowance had been granted, of which 4,011 are currently in receipt of payment. There is always a difference because of change in circumstances of when a customer may be eligible for payment. There are ons and offs.

Senator CAMERON: It is a technical issue.

Ms Ryan: Yes, it is—a point in time.

Senator CAMERON: How many applicants have been found not to be eligible and have therefore had to return money paid under the interim farm household allowance?

Ms Ryan: As of 17 October again, 453 claims have been rejected.

Ms Campbell: But they may not have received any payment. They may have applied but were not granted.

Senator CAMERON: Have there been approved and then found not to be eligible?

Ms Golightly: Not to our knowledge.

Senator CAMERON: Is there a normal audit process that takes place for this?

Ms Campbell: There would be a checking and compliance function. It is somewhat early in the piece, but the normal compliance arrangements will be put into place.

Senator CAMERON: How many applicants are pending a decision?

Ms Ryan: Currently, we have 406 farm household allowance claims on hand, of which the department has commenced work on 345.

Senator CAMERON: Why have you not commenced work on the 406?

Ms Ryan: There is a difference—just let me do my maths.

Ms Campbell: Of 61.

Ms Ryan: Thank you, Secretary.

Senator CAMERON: Another technical issue!

Ms Ryan: It is just a point in time in terms of the processing of the claims.

Ms Golightly: They may have only just been received.

Ms Campbell: They might be just registered.

Senator CAMERON: Can you—

CHAIR: This will have to be the last question, Senator Cameron.

Senator CAMERON: I have a few questions to go. I will be finished in five minutes, and I can actually keep asking questions.

CHAIR: That is not my advice. If it is five minutes, I will allow it.

Senator CAMERON: We can spend some time going on about the advice.

CHAIR: If you like, I will give you five minutes. What I am saying is that my advice is the committee has agreed to meet for four hours and it is only the committee that could agree to extend beyond that. I will give you five minutes if that is all you need, but I will not go beyond that.

Senator CAMERON: I only need five minutes. I appreciate that, and we can clarify that advice.

Senator Payne: Indeed.

Senator CAMERON: Can you provide a breakdown of the regions where the applications are coming from?

Ms Golightly: Yes, on notice.

Senator CAMERON: And the approval by region. Is it true that the online application can take up to five hours?

Senator Payne: Do you mean in relation to the application itself, or do you mean in relation to access to the internet.

Senator CAMERON: The actual person online. We have had reports that some people have taken five hours to do it. I am not sure how complex it is.

Ms Golightly: We do not think it takes five hours to fill the questions in, but the farmer does, to perhaps answer some questions, need to go and get other information. How ready that is to hand—

Senator CAMERON: Have you had any complaints that the system has timed out because people might be doing exactly what you just said.

Ms Golightly: I think there have been some issues raised about some internet timing out in the more far-flung areas, but where that happens we have staff that can assist the farmer.

Senator CAMERON: What about people who have no access to online services?

Ms Golightly: Sorry, what was that?

Senator CAMERON: How do people make an application if they have no online service?

Ms Ryan: There is a paper-based claim for the farm household allowance that farmers can complete.

Ms Golightly: No, how do they apply to get online.

Ms Ryan: They access it through the centrelink.gov.au site.

Senator CAMERON: But what if they have no access to online services?

Ms Golightly: We have a paper form.

Senator CAMERON: So you have a paper form they can use. I will put these ones on notice because I want to say something briefly after I put these on notice. Where have the mobile service centres visited and what regions? How are the farmers and those living in rural regions notified that the mobile service centres are visiting those regions? What is the cost of that service? What are the key performance indicators for the mobile service? How do they know if the roadshow is effective? What is the breakdown of the number of clients reached and clients who have applied and have been successful in obtaining the farmhouse allowance?

Senator Payne: Senator, may I clarify with you?

Senator CAMERON: Yes.

Senator Payne: Are you relating that final question directly back to the mobile service centres, because they do more than just the farm household allowance process?

Senator CAMERON: I will ask that as a general question and specifically in relation to the mobile service. Please take those questions on notice.

Chair, with your indulgence, I would like to indicate that the allocation of time for Human Services in estimates has been quite unsatisfactory for some time. I have discussed this with the minister, and I will not go into the discussions I have had with the minister, but I want to place on record my concerns about the time allocated to DHS.

DHS cannot be treated as some adjunct or add-on to DSS. It is a very important and complex department that needs proper scrutiny under estimates. Minister Payne and I have had some discussions, and we hope that we can resolve problems like we have had about hard cut-off points. I simply want this department to be treated as an important part of government and important in the overall estimates area. Hopefully, we can resolve it. I would like some clarity for the department of when they are going to be here and I would like some clarity for witnesses who appear.

Senator Payne: As to when the department is required?

Senator CAMERON: Yes, and for you and for me.

Senator Payne: Chair, it will not be a surprise that I agree with Senator Cameron in terms of the priority that should be afforded to this portfolio area and to this department, but it is a matter for the committee system in the Senate; for you, I assume, the deputy president; perhaps for me as the minister; and other members of the committee.

CHAIR: It is a reasonable point, Senator Cameron, and I think it is something the committee will consider going forward. This has been, as you know, the way that it has been done for a long time and it is certainly something worth considering. I am not sure there are many DHS staff who will be thanking you, but, nonetheless, we will see. Maybe DSS staff will thank you because they might have a little less time—and that is the challenge. We will take that on board, Senator Cameron, and I am sure that in future discussions the committee will formally consider that.

That brings our time to an end. Thank you, Minister, Ms Campbell, officials, Hansard and Broadcasting; we appreciate it. We are now adjourned.

Committee adjourned at 13:07