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SENATE

STANDING COMMITTEE ON FINANCE AND PUBLIC
ADMINISTRATION

ESTIMATES

(Budget Estimates)

TUESDAY, 22 MAY 2007

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**SENATE STANDING COMMITTEE ON
FINANCE AND PUBLIC ADMINISTRATION**

Tuesday, 22 May 2007

Members: Senator Fifield (*Chair*), Senator Forshaw (*Deputy Chair*), Senators Boyce, Carol Brown, Fierravanti-Wells, Moore, Murray and Watson

Participating members: Senators Barnett, Bartlett, Bernardi, Boswell, Bob Brown, Carr, Chapman, Conroy, Crossin, Eggleston, Chris Evans, Faulkner, Ferguson, Fielding, Heffernan, Hogg, Joyce, Kemp, Ludwig, Lundy, Marshall, Sandy Macdonald, McGauran, McLucas, Milne, Nettle, O'Brien, Parry, Payne, Robert Ray, Ronaldson, Sherry, Siewert, Stephens, Trood, Webber and Wong

Senators in attendance: Senators Boyce, Carol Brown, Conroy, Faulkner, Fierravanti-Wells, Fifield, Forshaw, Murray, Watson, Webber and Wong

Committee met at 8.59 am

PRIME MINISTER AND CABINET PORTFOLIO

Consideration resumed from 21 May 2007

In Attendance

Senator Minchin, Minister for Finance and Administration

Department of the Prime Minister and Cabinet

Executive

Dr Louise Morauta, Deputy Secretary

Mr Duncan Lewis, Deputy Secretary

Ms Jenny Goddard, Deputy Secretary

Economic policy

Output group 1

Dr Rhondda Dickson, First Assistant Secretary, Industry, Infrastructure and Environment Division

Mr Paul Tilley, First Assistant Secretary, Economic Division

Social policy

Output group 2

Ms Serena Wilson, First Assistant Secretary, Social Policy Division

Mr Shane Hoffman, Assistant Secretary, Indigenous Policy

Ms Leonie Smith, Assistant Secretary, Health and Ageing

Mr John Matthews, Assistant Secretary, Immigration, Pandemic and Health Security

Ms Sally Basser, Assistant Secretary, Families and Social Support

International policy advice

Output group 3

Mr Hugh Borrowman, First Assistant Secretary, International Division

Mr Frank Leverett, Assistant Secretary, Ceremonial and Hospitality

Mr Angus Campbell, First Assistant Secretary, National Security Division

Ms Rebecca Irwin, Assistant Secretary, Domestic Security
Mr Stephen McFarlane, Acting Assistant Secretary, Defence and Intelligence
Mr Richard Davis, Assistant Secretary, National Security Science and Technology
Dr Rob Floyd, Assistant Secretary, Chemical, Biological, Radiological Nuclear Security Review
Mr Alan Henderson, Deputy Secretary, APEC 2007 Taskforce
Mr Andrew Harper, General Manager, Corporate Branch, APEC 2007 Taskforce

Support services for government operations

Output group 4

Ms Barbara Belcher, First Assistant Secretary, Government Division
Mr David Macgill, Assistant Secretary, Parliamentary and Government
Mr Peter Rush, Assistant Secretary, Awards and Culture
Mr Alex Anderson, Assistant Secretary, Legal Policy
Dr Wendy Southern, First Assistant Secretary, Cabinet Division
Mr Kim Terrell, Assistant Secretary, Cabinet Implementation Unit
Ms Anne Hazell, First Assistant Secretary, People, Resources and Communications Division
Mr Robert McMahon, Assistant Secretary, Government Communications Unit
Dr Susan Ball, Assistant Secretary, Information Services
Ms Janette Davis, Assistant Secretary, People and Governance
Ms Trish Corbell, Acting Assistant Secretary, People and Governance
Mr Robert Twomey, Chief Financial Officer

Australian National Audit Office

Mr Ian McPhee, Auditor-General
Mr Steve Chapman, Deputy Auditor General
Ms Sheila Bird, Group Executive Director, Performance Audit Services Group
Mr John Meert, Group Executive Director, Performance Audit Services
Mr John Hawley, Executive Director, Corporate Management Branch
Ms Rachel Harris, Chief Financial Officer
Mr Michael White, Executive Director, Assurance Audit Services Group
Mr Colin Cronin, Executive Director, Performance Audit Services Group
Mr Brian Boyd, Executive Director, Performance Audit Services Group
Mr Ron Richards, Director, Corporate Management Branch
Ms Michelle Hocking, Senior Director, External Relations
Mr Steven Lack, Executive Director, Performance Audit Services Group

Australian Public Service Commission

Ms Lynelle Briggs, Public Service Commissioner
Ms Lynne Tacy, Deputy Public Service Commissioner
Mr Boris Budak, Acting Merit Protection Commissioner
Ms Karin Fisher, Group Manager Corporate
Ms Ngaire Hosking, Group Manager Evaluation
Ms Clare Page, Group Manager Better Practice
Ms Jacqui Curtis, Group Manager Programmes

Mr Patrick Palmer, Group Manager Regional Services

Ms Georgia Tarjan, Group Manager Policy

Office of National Assessments

Mr Peter Varghese, Director General

Mr Derryl Triffett, Assistant Director General

Office of the Commonwealth Ombudsman

Ms Vivienne Thom, Acting Ombudsman

Mr Ron Brent, Deputy Ombudsman

Ms Mary Durkin, Acting Deputy Ombudsman

Ms Marilyn Prothero, Senior Assistant Ombudsman

Ms Vicki Brown, Senior Assistant Ombudsman

Mr Damien Browne, Senior Assistant Ombudsman

Ms Helen Fleming, Senior Assistant Ombudsman

Office of the Inspector-General of Intelligence and Security

Mr Ian Carnell, Inspector-General

Office of the Official Secretary to the Governor-General

Mr Malcolm Hazell CVO, Official Secretary to the Governor-General

Mr Brien Hallett, Deputy Official Secretary to the Governor-General

Ms Sharon Prendergast, Director, Honours Secretariat

Mr Gary Bullivant, Corporate Manager

CHAIR (Senator Fifield)—I declare open this meeting of the Senate Standing Committee on Finance and Public Administration. The Senate has referred to the committee the particulars of proposed expenditure for 2007-08 and the particulars of proposed supplementary expenditure for 2006-07 for the parliamentary departments and the portfolios of Prime Minister and Cabinet, Finance and Administration, and Human Services. The committee may also examine the annual reports of the departments and agencies appearing before it. The committee has fixed 6 July 2007 as the date for the return of answers to questions taken on notice.

The committee's proceedings today will begin with further examination of the Prime Minister and Cabinet portfolio. The Finance and Administration portfolio and the Human Services portfolio will be examined on Wednesday and Thursday. I propose to proceed by calling on the outcomes and outputs in the order listed on the agenda.

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

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

to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise.

The Senate has resolved also that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

If a witness objects to answering a question, the witness should state the ground upon which the objection is taken, and the committee will determine whether it will insist on an answer, having regard to the ground which is claimed. Any claim that it would be contrary to the public interest to answer a question must be made by the minister and should be accompanied by a statement setting out the basis for the claim.

I welcome Senator Minchin, the Minister for Finance and Administration, the Minister representing the Prime Minister, and officers from the Department of the Prime Minister and Cabinet, especially Ms Lynelle Briggs, the Public Service Commissioner. Senator Minchin, do you wish to make an opening statement?

Senator Minchin—No, thanks, Chair.

CHAIR—Ms Briggs, do you wish to make an opening statement?

Ms Briggs—No, I do not.

CHAIR—Thank you. Senator Wong.

Senator WONG—Thank you, Chair. Ms Briggs, I wanted to check what the situation is currently in relation to the entitlements or employment conditions applying to staff who transfer between agencies as a result of an administrative order change—so, if you were in Human Services and your function were transferred to FaCSIA or vice versa, as I think the case may be, precisely what would occur.

Ms Tarjan—The conditions and entitlements stay exactly the same.

Senator WONG—Right. Is that even if the destination agency has, for example, a lower overall level of entitlement?

Ms Tarjan—What usually happens is that the transfer is negotiated, but the new staff come under the new certified agreement of the agency.

Senator WONG—Okay. They are two different things, then. Let's say person X—and this is hypothetical—in FaCSIA gets transferred to Human Services, and the position to which they are being transferred in Human Services is overall less beneficial to the employee than their FaCSIA position; what occurs?

Ms Tarjan—Can you explain what particular part would be less beneficial? Are you talking about salary?

Senator WONG—Yes, the total employment conditions—remuneration. Let's assume it is remuneration.

Ms Tarjan—Generally they transfer with exactly the same conditions. The next time that the collective agreement is negotiated in an agency, it is negotiated as a whole for all employees.

Senator WONG—Does that mean that if they had a more beneficial set of remuneration terms, those terms would subsist until a new enterprise agreement was negotiated in the destination agency?

Ms Tarjan—That generally occurs. Usually the only difference would be salary. The other conditions are pretty much the same across all agencies.

Senator WONG—Let us stick with salary and say that the salary is higher in the department of origin than in the destination department. Would you clarify what occurs?

Ms Tarjan—It depends on what is negotiated between each agency, but generally the salary is matched in the new agency and a transition period happens over time where that salary would eventually become commensurate with the salaries in the receiving agency.

Senator WONG—With whom is the negotiation regarding those transition arrangements?

Ms Tarjan—I am not sure about that because we do not get involved in those issues; we just do the transfer from a legislative basis, so I would like to take that on notice.

Senator WONG—If you could. I do not quite understand what you mean when you say that, in general, a transition period is negotiated until some other arrangements occur within the destination agency.

Ms Tarjan—Usually the salary is maintained when they transfer over. Over time their salary increases naturally, usually negotiated under a collective agreement. Those salary increases tend to even out over the new employees.

Senator WONG—Would they be absorbed?

Ms Tarjan—What do you mean by absorbed?

Senator WONG—In the example we were using, if your salary at the agency of origin is higher than your destination salary, do you retain your higher salary until wage increases for the relevant position that you now occupy reach the same level?

Ms Tarjan—I understand that generally occurs but there are other circumstances; for example, AWAs that might be negotiated. I am not an expert in this area because the commission does not generally get involved in these negotiations.

Senator WONG—Who is the expert?

Ms Tarjan—DEWR.

Senator WONG—So I should ask DEWR?

Ms Tarjan—Yes.

Senator WONG—On notice, could you tell me what you understand to be the situation when machinery of government changes result in the transfer of functions between agencies, and what the process is in terms of employees' wages and conditions being retained or not?

Ms Tarjan—I think I have explained from our perspective what generally happens. We understand that that is usually what happens.

Senator WONG—You understand that this is usually what happens?

Ms Tarjan—Yes.

Senator WONG—Is this set out anywhere? Where is this? Is there some industrial instrument or set of provisions that deals with this?

Ms Tacy—There is a booklet on machinery of government changes to advise departments. What happens in each particular case may vary depending on the losing and the winning agencies' industrial arrangements—whether they are AWAs, collective agreements, collective agreements reached with trade unions, or collective agreements reached directly with employees—but there are also provisions in the Public Service Act that are relevant in terms of the capacity of agencies to maintain salaries.

Senator WONG—What are the relevant provisions in the Public Service Act? I am happy for you to take that on notice. Can you do that?

Ms Tarjan—Yes.

Senator WONG—Are we going to meet the deadline?

Ms Tacy—Absolutely.

Senator WONG—It is all right. I asked questions of DEWR. They are into the hundreds in terms of questions which have not been answered, so I hope to be pleasantly surprised by the APSC.

Ms Tacy—The relevant provision is section 24 of the Public Service Act, but we can provide a more detailed outline.

Senator WONG—I would appreciate that. Who produces the booklet?

Ms Tarjan—We coordinate the booklet with input from PM&C, DEWR, Archives and the department of finance. They all contribute to the booklet, because we all have different legislative responsibilities in relation to machinery of government changes.

Senator WONG—And that is publicly available?

Ms Tarjan—Yes, it is on our website.

Senator WONG—How often is that updated?

Ms Tarjan—We recently released it. The first time was early this year. We will probably go to each of the agencies every six or 12 months and make sure that the information is still up to date.

Senator WONG—What about between agencies and statutory authorities? Does that alter the situation?

Ms Tarjan—It does because our act does not apply in statutory agencies.

Senator WONG—Is that the Public Service Act?

Ms Tarjan—That is right.

Senator WONG—What implications does that have for people's entitlements?

Ms Tarjan—I understand that the entitlements are maintained where possible, but, again, that is negotiated with the new statutory authority as the new employer.

Senator WONG—When you said that is negotiated, is that done by the employee or the losing agency?

Ms Tarjan—I understand it is the statutory authority, but, again, that is not—

Senator WONG—No, they have to negotiate with someone. Is it between the losing agency and the statutory authority or the employee and the statutory authority, or is it a three-way discussion?

Ms Tarjan—I am not sure about that.

Ms Tacy—It would be primarily between, to use the vernacular, the winning agency and the employees and/or the union. I think the losing agency probably would be consulted in it. We could cover that off in more detail in our response.

Senator WONG—I thought Ms Tarjan did not want to take it on notice. Are you taking these questions on notice as well? I thought she said she has told me everything she could tell me.

Ms Tacy—I thought we were going to spell out, at least for the record, the legislative provisions.

Senator WONG—I am happy with that. In terms of the advice as to the machinery of government changes to employees, are there any industrial provisions which indicate the length of period of notice? For example, with regard to the administrative order changes which went through at the end of last year—perhaps it was the year before—with Human Services, was there an industrial provision which required a period of notice before the transfers were effected?

Ms Tarjan—Not that I am aware.

Senator WONG—Currently, is it the situation that people could be required to move within a matter of days?

Ms Tarjan—I think, in practice—

Senator WONG—I understand what happens in practice. I want to know the legal position.

Ms Tarjan—Yes, I understand so.

Senator WONG—This is not an area I have looked at before. What is the situation with respect to redundancy within the Public Service? What industrial provisions apply where redundancies are being imposed?

Ms Tarjan—It depends on whether the officer is SES or below that, non-SES. Usually for each year of service two weeks pay is provided. In addition, if it is under 15 or 20 years of service, they have an additional four weeks notice. Over that it is five weeks. The maximum is 48 weeks.

Senator WONG—Is that non-SES?

Ms Tarjan—That is correct.

Senator WONG—For an SES, it is governed by their contract—is that correct?

Ms Tarjan—Generally, yes.

Senator WONG—What are the provisions for voluntary versus involuntary redundancy for non-SES officers?

Ms Tarjan—It varies amongst agencies.

Senator WONG—Is this governed by the individual agency's industrial arrangements?

Ms Tarjan—They are usually spelt out in the collective agreement, but those general rules apply.

Senator WONG—Which general rules?

Ms Tarjan—About the two weeks pay—

Senator WONG—I am not asking you about severance payment; I am asking about provisions relating to voluntary or involuntary redundancy. Would those issues be covered by the individual agency's industrial arrangements or is there a broader set of arrangements applying across the Public Service? What are the rights with respect to being offered a transfer, redeployment et cetera prior to involuntary redundancy being imposed?

Ms Tarjan—Each agency has slightly different arrangements and they will spell out the length of time and opportunities provided to people being offered a voluntary or involuntary redundancy to find other positions or be transferred within the agency.

Senator WONG—So agency arrangements would set out redeployment rights and a process if that was unsuccessful for involuntary redundancy—is that right?

Ms Tarjan—That is correct.

Senator WONG—That would be done on an agency basis?

Ms Tarjan—Yes.

Senator WONG—And there are no cross-service provisions or entitlements in respect of this issue?

Ms Tarjan—Over time, as collective agreements have been part of the history of agencies becoming devolved, some of those have changed. They do tend to be quite similar provisions based on what used to occur centrally.

Senator WONG—But that is circumstance rather than as a matter of policy, that being the case?

Ms Tarjan—That is correct.

Senator WONG—Historical—

Ms Tarjan—Yes.

Senator WONG—Would most agencies, to your knowledge, offer a redeployment opportunity prior to involuntary redundancy?

Ms Tarjan—My understanding is that most of them would want to find positions for employees whose positions have become redundant, definitely.

Senator WONG—My question was not on the issue of intention; it was actually on the industrial provisions, as far as you are aware of them, in relation to agencies. Would most agencies have in their industrial provisions an entitlement to or an opportunity for redeployment prior to involuntary redundancy?

Ms Tarjan—I am not aware of every single certified agreement or collective agreement but I understand that that is the case. It is usually negotiated with employees, the union and the agency.

Senator WONG—Are you aware of any industrial arrangements applying within the Public Service where there is not consideration of redeployment?

Ms Tarjan—I am not personally aware.

Senator WONG—Are the comments you make about this applicable also to statutory authorities or do they have quite different arrangements, as opposed to agencies?

Ms Tarjan—Are you asking whether statutory authorities have quite different arrangements?

Senator WONG—Yes.

Ms Tarjan—We are not involved with the collective agreements and the redundancy provisions of statutory authorities. I am not aware of that.

Senator WONG—You do not have any knowledge of that? Who do they go to? Do they deal with their industrial advice internally?

Ms Tarjan—I understand that they do and that they operate under Work Choices legislation just as—

Senator WONG—I do not think you are supposed to use that phrase, Ms Tarjan. You might want to talk to Minister Minchin about that. I have some questions about section 16 of the act in relation to whistleblowers. Can you just explain to me briefly what sort of protection is offered for whistleblowers under that provision?

Mr Budak—Section 16 has a prohibition against victimisation. It follows from that that victimising someone in breach of section 16 is a breach of the APS Code of Conduct, which is in section 13 of the act. Therefore, an alleged breach of section 16 would in fact be an alleged breach of the APS Code of Conduct. To establish a breach of the Code of Conduct, an agency head is required to take action under section 15(3) for the handling of alleged breaches of the Code of Conduct. An APS employee cannot be found to have breached the Code of Conduct unless under the procedures set up under subsection 15(3) of the act.

Senator WONG—To come within this provision—the prohibition against victimisation—you have to make a complaint to one of the three categories: to the Merit Protection Commissioner or agency head or delegate in each of those categories.

Mr Budak—Yes. You notice section 16 is headed ‘Protection for whistleblowers’.

Senator WONG—Yes.

Mr Budak—This is the only time the word ‘whistleblower’ appears in the act. In fact, ‘whistleblowing’, as defined for the purpose of the act, means reporting someone else who has breached the APS Code of Conduct. So it has a narrower statutory meaning.

Senator WONG—If somebody were complaining about a breach of this provision, it would be, in effect, a breach of the Public Service code. Is that correct?

Mr Budak—I am sorry. I did not quite get that.

Senator WONG—If somebody says that they were victimised, do they complain to you?

Mr Budak—Yes. The relevant provisions in the Public Service Regulations are division 2.2, which is headed ‘Whistleblowers reports’, subdivision 2.4, which mentions agency heads’ procedures for dealing with whistleblower reports, subdivision 2.5, which deals with the Public Service Commissioner’s functions, and subdivision 2.6, which deals with the Merit Protection Commissioner’s functions relating to whistleblowers’ reports.

Senator WONG—So a complaint would first go to the head of agency, would it?

Mr Budak—Yes.

Senator WONG—And if the complainant were unhappy with those findings it would then come to you for review?

Mr Budak—Yes.

Senator WONG—There has been some media reporting of a case involving a Mr Peter Ellis, which has been reported in the *Canberra Times* and other papers.

Mr Budak—Yes. I saw the article.

Senator WONG—Do I understand that a complaint was made to the department or the agency and now Mr Ellis has referred it to the commissioner for review?

Ms Briggs—Yes, that is correct.

Senator WONG—When was it referred to you, Ms Briggs?

Ms Briggs—I have received two whistleblowing reports from Mr Ellis. I will check the dates. I received one at the beginning of last week. He first wrote to me on 31 October and then I received one on either Monday or Tuesday last week.

Senator WONG—Have you made any findings in respect of the first application for review on 31 October?

Ms Briggs—Not yet, no.

Senator WONG—When do you propose to do so?

Ms Briggs—Within the next month or so the investigation will be completed.

Senator WONG—Six months for review seems a fairly lengthy period of time. Is there a reason for that?

Ms Briggs—Our time frames for cases vary enormously, depending on the nature of the case. Sometimes they can be as long as this; at other times they can be longer and at other times shorter. It is not out of the ordinary.

Senator WONG—What are the causes of delay in this situation?

Mr Palmer—The causes of delay can be a range of factors, including—

Senator WONG—Mr Palmer, I really do not want hypotheticals. I have asked what the causes of delay in this situation are.

Mr Palmer—It is a workload issue and it is quite a complex matter that the individual has raised.

Senator WONG—A workload issue? Meaning your workload?

Mr Palmer—Yes.

Senator WONG—How many reviews have you got underway?

Mr Palmer—In terms of whistleblowing, only about three or four at the moment.

Senator WONG—Does that include the two of Mr Ellis?

Mr Palmer—That is correct.

Senator WONG—So you have one or two more?

Mr Palmer—Yes.

Senator WONG—I presume you have other things to do as well, Mr Palmer. Is that why?

Mr Palmer—Yes, that is correct.

Senator WONG—Mr Ellis has been waiting quite some time for this matter to be dealt with.

Mr Palmer—That is correct.

Senator WONG—Are you concerned, Ms Briggs, that workload issues are preventing the timely resolution of this matter?

Ms Briggs—I am always concerned about workload issues. In fact, the performance of the group concerned has improved enormously as we have focused on these issues and the more efficient handling of various review arrangements. So I am very satisfied with the performance of the group in general.

Senator WONG—So you consider this to have been dealt with in a timely manner?

Ms Briggs—I take very seriously the proper investigation and review of the actions before us. It has taken this long because it needed to and because of the other priorities that we have. Whistleblowing cases are not the only issues that the group deals with.

Senator WONG—No, but you have three or four, of which two are from Mr Ellis. I do not want to verbal him, but Mr Palmer's evidence is essentially that one of the reasons for the delay in this matter is his workload. Justice delayed, justice denied comes to mind.

Ms Briggs—Overall we manage the resources in the best way we can.

Senator WONG—Are your priorities around that something Mr Ellis would agree with?

Ms Briggs—To my knowledge, Mr Ellis has not expressed any dissatisfaction. Are you aware of anything in that regard, Mr Palmer?

Mr Palmer—He has been in contact. He has been kept up to date with where the case is at.

Senator WONG—Are you aware, Mr Palmer, of the original complaint? Was that to DFAT and AusAID? That is what has been reported.

Mr Palmer—My understanding of the case is that Mr Ellis originally wrote to the Public Service Commissioner while he was still employed by AusAID. The whistleblowing procedures within the act and the regulations require that the matter go to the agency head first.

Senator WONG—So you told him to go there first?

Mr Palmer—We offered to refer the matter to the Secretary of the Department of Foreign Affairs and Trade, with his agreement.

Senator WONG—When was that?

Mr Palmer—It was referred on 24 June 2006.

Senator WONG—How long did it take for DFAT to make a decision?

Mr Palmer—We were advised on 19 September that the Department of Foreign Affairs and Trade had conducted their preliminary investigation into the matter.

Senator WONG—Then you received an application for review in October?

Mr Palmer—That is correct.

Senator WONG—And you anticipate having a decision made within the next month?

Mr Palmer—That is correct.

Senator WONG—That would be about a year since the original complaint.

Ms Briggs—Perhaps I can assist you to understand a little more the reasons for the delay. We try to run these processes as openly and transparently as possible. In order to do so we sought the permission of Mr Ellis to seek access to the papers concerned from the Department of Foreign Affairs and Trade. I then wrote to the secretary of that department. Some of the cause of this delay has simply been getting the papers. I am not sure when we received the papers, but it was not too long ago. Please understand that there are some procedural issues here.

Senator WONG—I do not think Mr Palmer indicated that the delay was due to the late receipt of papers.

Ms Briggs—It was a contributing factor.

Senator WONG—When did you receive the papers, and from whom?

Ms Briggs—From the secretary.

Mr Palmer—We wrote back to the department on 24 November seeking papers. I do not actually have the details of when we received them from the department.

Senator WONG—I think the point there though from Mr Ellis's perspective, and I have not spoken to Mr Ellis, is that you have a delay that is, firstly, occasioned by the decision maker whose decision you are reviewing delaying the provision of the papers to the review

authority—that is, it is not his fault. Now you have the review authority being delayed because of workload and other issues.

Mr Budak—It was not quite like that because Mr Ellis worked for AusAID, and the referral was to the Secretary of the Department of Foreign Affairs and Trade. So the original decision was not being reviewed by the same person who made it.

Senator WONG—That was not my point actually, but thank you for clarifying that. Has the commissioner had any involvement in the Allan Kessing case? That has also had some media coverage.

Ms Briggs—No.

Senator WONG—Because the current act provides no protection for Mr Kessing.

Mr Palmer—I am not sure that I know the case but, if it was a termination of employment case, there is no provision under the Public Service Act—

Senator WONG—This was the bloke who allegedly leaked a report on security at Sydney airport to a journalist.

Ms Briggs—Nothing has been raised with us about the case.

Senator MURRAY—I have some questions on the same topic. Ms Briggs, on the matter of public disclosures or whistleblowing, you are aware of my view that the laws are weak and pathetic and you are underresourced. But that is nothing to do with you; that is a matter of government policy. Within that there have been issues raised with me that the Public Service Commission, through the merit protection process DOFA operates, does not always observe the principles of natural justice and is not always fair. Those are allegations which are only worthy of examination in a specific instance with a specific example, so I am not going to go there. One of the questions that has been raised with me and that I want to test with you is the issue of the Public Service regulation which gives immunity from suit. It is regulation 7.7. I will read it just to remind you:

(1) This regulation applies in relation to the following persons:

- (a) the Merit Protection Commissioner;
- (b) a member of the staff assisting the Merit Protection Commissioner;
- (c) a person acting under the direction or authority of the Merit Protection Commissioner—

and so on. You get the gist of it. But this is thought to result in a situation where, if someone is aggrieved they cannot take it further. What I want to know is: if someone is aggrieved with the way in which your department has handled matters, what is the process of review or what remedies are there if you have immunity from suit?

Mr Budak—Regulation 7.7 refers to personal immunity from suit. In other words, it protects officers from being personally sued for defamation or damages. As such, it is not an unusual provision. There is similar legislation covering the Human Rights and Equal Opportunities Commission, the Commonwealth Ombudsman and the Privacy Commissioner. Similar bodies have similar provisions. As for the review of any decisions or recommendations we ourselves make, they are subject to review under the ADJR Act, the

same as any other decision under enactment. So decisions are reviewable but individuals are not personally liable for defamation and so forth.

Senator MURRAY—That seems a reasonable outcome. A second allegation made to me, which I would just like to test you on, is this one. The Legal Services Directions 2005, made under section 55ZF of the Judiciary Act have within them, at something called 3.1, note 1:

In dealing with personal or sensitive information, agencies need to comply with the Privacy Act 1988, the Freedom of Information Act 1982, the Archives Act 1983 and the Crimes Act 1914.

That is a perfectly reasonable expectation. But the claim is that the Merit Protection Commissioner, in the course of a review action, did not deem the Privacy Act to be relevant legislation. That would surprise me if that were true. Do you know if that is true?

Mr Budak—I would be very much surprised if we have ever said that or deliberately acted in that way. We take it as read that we have to comply with all relevant legislation be it the Privacy Act or the Freedom of Information Act or human rights. If we were given a particular case to look at we could look into it further, but it is simply a global statement.

Senator MURRAY—I do not give these any more credence than just to check what your policy is. The claim is that individuals were referred by an agency for mental health assessment and they thought it was because they were whistleblowing. That assessment was then leaked or spread around—and that was a health opinion and would fall under the Privacy Act. I stress that I am not making a judgement on this; I just want to check that if somebody was sent under instruction for a medical check, that medical check would remain a matter of privacy.

Mr Budak—Assuming that happened inside a department or an APS agency, yes of course they should not broadcast it within the agency.

Senator MURRAY—And if it were broadcast, what remedy does a person have?

Mr Budak—That is a major breach of privacy and the person could take it up with the Privacy Commission as the specialist agency for breaches of privacy.

Senator MURRAY—And if it were related to a whistleblowing case, would such an application be supported by the Public Service Commissioner or the Merit Protection Commissioner?

Mr Budak—We do not—

Senator MURRAY—If it is a question of victimisation it automatically concerns your agency and your oversight.

Mr Budak—I am just doing this on the run as a hypothetical. If a person claims a breach of privacy, the person best equipped to find out whether a breach of privacy has occurred would be the Privacy Commissioner. That is their primary function. If the Privacy Commissioner agreed that there was a breach of privacy and the circumstances were that it could reasonably be said that that came as a retaliation for whistleblowing, that is something else and they could come to us, the Public Service Commission or the Merit Protection Commissioner and claim that there was a breach of section 16, which could in turn be investigated as a breach of the code of conduct, as I mentioned.

Senator MURRAY—What remedy would the aggrieved person get? As you know, your reputation is smeared by then even though you might be cleared.

Mr Budak—Our legislative framework does not provide for remedies, as such, for the individual who has been affected, but it certainly provides for the possibility of punishment under the code of conduct for the people who may have caused the breach of privacy or the victimisation of the person in breach of section 16. If you are talking about something other than an apology, such as monetary compensation, there is no specific provision in the Public Service Act, as such. There are general provisions for act of grace payments and provisions for special payments under the act, but they are not specifically for those circumstances in section 73 of the Public Service Act. But the Privacy Commissioner can award compensation within their own legislation and they can order agencies to do certain things.

Senator MURRAY—If I get these sorts of allegations which cross over between privacy and public disclosure—the whistleblowing provisions—to whom would I direct them normally? Would I direct them straight to the Privacy Commissioner or straight to your—

Mr Budak—If the main complaint is about a breach of privacy I would say, yes. Similarly, if the main complaint was about sex discrimination it would be the Human Rights and Equal Opportunity Commission—

Senator MURRAY—No, this is not sex discrimination; this is an allegation that a whistleblower was victimised.

Mr Budak—I understand that.

Ms Briggs—Irrespective of to whom you might send the correspondence, we and the Privacy Commissioner maintain close relationships and, given the nature of any particular issue, if it is appropriate we tell the correspondent that. If they really should be going to the Privacy Commissioner we tell them that. So in any case the case would be reviewed.

Senator WONG—I presume there was no discussion with the APSC in relation to the impact of the increase in FTEs in the budget across the public sector?

Ms Briggs—No.

Senator WONG—And no advice sought?

Ms Briggs—No. It is not my role to advise on staffing numbers for new policy proposals.

Senator WONG—Absolutely. Also in relation to the Australian government online service point—announced by Minister Nairn earlier this month, I think—has there been any consultation with or advice provided by APSC on that measure and any impact on the Public Service?

Ms Briggs—No.

Senator WONG—Were you aware of it before I raised it today?

Ms Briggs—I had certainly seen the publicity associated with it, yes.

Senator WONG—In terms of the commission's functioning, what is the amount that you have allocated in your budget for staff activities for the current year?

Ms Briggs—I am not sure I have a division between staff and other departmental matters, but I could get that for you on notice.

Senator WONG—Can you tell me what staff activities, such as retreats et cetera, have taken place in the financial year to date?

Ms Briggs—Sorry; I misunderstood your question. We had a couple of SES planning days in Sydney earlier this year, in February. I would have to check the number of planning days that our various groups have had but I can take that on notice and get it back to you.

Senator WONG—At which hotel were the couple of days in Sydney?

Ms Fisher—It was in Double Bay. I think it was the Stamford Plaza.

Senator WONG—Was it a couple of nights, one night or three nights?

Ms Briggs—One night.

Senator WONG—How many SES staff went?

Ms Fisher—Six group managers, three members of the executive and Mr Budak.

Senator WONG—Do you have the total cost of that event?

Ms Briggs—I do not have it with me but I am happy to get that to you.

Senator WONG—Are you able to break that down into, for example, venue hire, accommodation and meals?

Ms Briggs—Yes.

Senator WONG—What is included in meals? Is it just meals and people pay for their own alcohol? How does that work?

Ms Fisher—People did not pay for their own alcohol, but it was a very modest amount.

Senator WONG—At the Stamford Plaza or elsewhere?

Ms Fisher—At the Stamford Plaza.

Senator WONG—So you are not able to give me a ballpark figure of the cost of this retreat?

Ms Briggs—We do not have it with us but we can give it to you today, I would say.

Senator WONG—I would appreciate that. In which building are you currently located?

Ms Briggs—It is known as the Glasshouse Building. It is in Woden. We moved there in February this year.

Senator WONG—And prior to that you were at Edmund Barton?

Ms Briggs—That is correct.

Senator WONG—Was there any redecoration or upgrading of Edmund Barton prior to the move to Woden?

Ms Fisher—No.

Senator WONG—When was the last time there was redecoration within the Edmund Barton Building?

Ms Briggs—There certainly was not any in the time that I was commissioner.

Senator WONG—Was any repainting done internally?

Ms Briggs—There has been repainting done, yes.

Senator WONG—So you did not consider repaints to be refurbishment. Is that right?

Ms Briggs—No, I did not. I was taking it to mean massive movement of walls and all that sort of stuff.

Senator WONG—Let us talk about redecorating and repainting, not massive movement. What occurred in the Edmund Barton Building prior to the move to Woden?

Ms Briggs—A couple of years ago I know we did some painting and there have been bits and pieces of painting done in the building from time to time. I do not think there has been anything else of a significant nature. There have been some signage changes, I am advised, too.

Senator WONG—When was the most recent repaint internally of the Edmund Barton Building in the current financial year?

Ms Briggs—I am not aware of one, I have to say. When we have done various bits of repainting, it has not been the whole of our accommodation; it has been bits and pieces as we have changed things around. There has not been refurbishment, really, of that nature.

Senator WONG—When were you notified that you would be transferred to Woden?

Ms Briggs—We were not notified by anyone; we took the decision ourselves. I am not sure whether you are aware, but the owners of the Edmund Barton Building intend to undertake a major refurbishment of the building and all of the tenants need to move out of the building. Our lease came to an end in February this year, which is when we moved, so we were preparing for that eventuality and we looked at a number of sites for our move.

Senator WONG—When was the decision made to move?

Ms Briggs—I believe it was last year. I would have to check the exact date of that for you.

Senator WONG—Last year?

Ms Briggs—October.

Senator WONG—October 2006?

Ms Briggs—Yes.

Senator WONG—I want to know what sort of painting or other redecoration occurred in the Edmund Barton Building subsequent to that decision being made.

Ms Briggs—I do not believe there was any, but we will check that.

Senator WONG—Was there a repainting of the executive area and, if so, when?

Ms Briggs—No, the repainting that was done occurred a couple of years ago. My office was painted at that stage.

Senator WONG—Your office was painted in 2005 or 2006?

Ms Briggs—I think it was 2005.

Senator WONG—Does the commission utilise the services of professional photographers at all?

Ms Briggs—Yes, we do.

Senator WONG—In relation to what?

Ms Briggs—For various functions that we have. Also, members of the executive have had photographs taken because we are frequently called upon to give photographs for conferences and things where we are speaking and they want to know what we look like. But the most usual arrangement is that, when we have a launch or something, we tend to have a photographer there to record the day.

Senator WONG—Is there a budget line item for this cost? What does it come out of—operating expenses?

Ms Fisher—There is not a separate line item for that.

Senator WONG—Are you able to tell me costs to date in this current financial year?

Ms Fisher—Not off the top of my head, no. I would have to take that on notice.

Senator WONG—Commissioner, you mentioned what you might call portrait shots for publicity and other purposes. How often have they been undertaken in the last couple of years?

Ms Briggs—Twice, to my knowledge. The first time was very quick, when I first arrived; it would have been in the first couple of weeks. We stood in a corridor and they took a few photographs. Then some more formal ones were done, I think, in 2005.

Senator WONG—So there has been nothing since then?

Ms Briggs—Not that I am aware of. Ms Tacey confirms that.

Senator WONG—They were just of you or other SES staff as well?

Ms Briggs—To my knowledge it was the executive only.

Senator WONG—Were there any other costs associated with the photoshoot?

Ms Briggs—The second one, absolutely. My make-up and hair were done, as I recall.

Senator WONG—Was anyone else's?

Ms Briggs—No, I do not believe so.

Senator WONG—No other SES staff? Was it just you?

Ms Briggs—No.

Senator WONG—So that was for make-up and hair.

Ms Briggs—Yes.

Senator WONG—Presumably on notice you can give me the cost of that.

Ms Briggs—Yes, I can.

Senator WONG—Was a local person used for that?

Ms Briggs—Yes, it took half an hour. It was not a big deal.

Senator WONG—When you say SES staff, can you remind me how many staff that is? Is that nine staff?

Ms Briggs—Yes, the commission is made up of different people in different locations. Our executive consists of me, the deputy commissioner, Ms Tacy, and the Merit Protection Commissioner. As well as that we have six senior executive service officers who manage our groups. In addition to that, I have an SES officer in Indonesia and two in Papua New Guinea.

Senator WONG—So how many is that all up? Is it six plus two?

Ms Briggs—It is six plus three overseas, which equals nine, plus Ms Tacy and the Merit Protection Commissioner. That gives 12.

Senator WONG—I have one last question on the *State of the service report*. Can you remind me when that comes out?

Ms Briggs—It comes out generally in the last couple of days of November.

Senator WONG—Previously there has been a chapter on women in the APS or equity and diversity and then a subsection talking about women. Is that format going to continue?

Ms Briggs—What we did this time was blend it into other chapters in the report. But we did not lessen the coverage of it. We still reported the same statistics and so on. We are in an interesting situation now where the majority of our staff are women so questions about diversity for women are typically now relating to where they are in the senior levels of the Public Service—where we are still below the 50 per cent mark.

Senator WONG—At the senior levels?

Ms Briggs—Yes, at the senior levels.

Senator WONG—Presumably it is also relevant to what sort of employment conditions the Public Service might want to put in place to attract and retain women.

Ms Briggs—Of course.

Senator WONG—What is the proposal? Are you proposing in the pending *State of the service report* to remove the chapters or the data relating to women?

Ms Briggs—There is no discrete chapter around it. We are proposing to continue the same arrangement we had in last year's report.

Senator WONG—Who made the decision to alter that?

Ms Briggs—It was me. I think I did so because I did not like the way it was positioned.

Senator WONG—What does that mean?

Ms Briggs—I thought we had issues to do with women spread across a number of different parts of the report and it was not terribly helpful.

Senator WONG—Is the data that was previously included in 2005-06 report in relation to women still going to be included?

Ms Briggs—Yes.

Senator WONG—Is that data still being collected?

Ms Briggs—Yes.

Senator WONG—Has there been any alteration to the collection of the data?

Ms Briggs—No.

Senator WONG—So same data sets but different publication methodology?

Ms Briggs—Yes, that is all. If there is anything that you are concerned about then I am happy to listen to what you are looking for.

Senator WONG—You are going to take my suggestions about the *State of the service report*? I do not think so, Commissioner. It is very kind of you to offer. That is all from me. Thank you very much.

CHAIR—Senator Faulkner, do have any questions of the Public Service Commissioner?

Senator FAULKNER—No.

CHAIR—Thank you for your attendance this morning.

Proceedings suspended from 9.55 am to 10.00 am

Department of the Prime Minister and Cabinet

CHAIR—We will resume the hearing with the Department of the Prime Minister and Cabinet, output group 4. But Dr Morauta, I think you want to add to some evidence.

Dr Morauta—Yesterday Senator Faulkner raised with us an article in the *Australian Financial Review* of 12 May about the smartcard. It referred to Dr Shergold. I have had the opportunity to discuss the matter with Dr Shergold. He confirmed what I thought when I looked at the article: that this was a journalist's interpretation of a set of events. Dr Shergold did not speak to the journalist about the matters in this article, and the article does not represent his views.

Senator FAULKNER—Thank you for letting me know that, Dr Morauta. Are you able to inform the committee as to whether Dr Shergold felt that it was appropriate then to correct the record in this circumstance? I actually did check, and I could not find a correction. But I may have missed it.

Dr Morauta—I am sorry; a correction to the record of the hearing?

Senator FAULKNER—Sorry, a correction to the article.

Dr Morauta—No. I think he thought—

Senator FAULKNER—A correction to the public record, in other words.

Dr Morauta—I think he thought, like many people would think on reading it, that it was one of those interpretive efforts by journalists, which are quite common.

Senator FAULKNER—Thank you. I wanted to ask some questions, if I could, about government advertising. Welcome, Mr McMahon. Of course Mr Williams has dealt with these issues at this committee now for many years. We wished him well at the last hearing, and we welcome you.

Mr McMahon—Thank you, Senator.

Senator FAULKNER—Perhaps I could begin by asking, Dr Morauta, whether the department engaged in any media training at all for officials prior to this Senate estimates round.

Dr Morauta—Yes, I believe we did.

Senator FAULKNER—Why, Dr Morauta?

Dr Morauta—When we have officers who are new to appearing at Senate estimates, it is our habit to offer them training for the purposes of Senate estimates so that they are across both their responsibilities and how to conduct themselves. It is not generally offered to everybody, but usually to new officers who are appearing at Senate estimates.

Senator FAULKNER—I see. I use the terminology ‘media training’; is it broader than media training?

Dr Morauta—The department offers a number of different things to these people. We do from time to time run courses about the responsibilities of officers at Senate estimates, and they are run by people from the Senate. We also offer presentation type courses to people. I think media training is probably not quite the right description of it.

Senator FAULKNER—Is ‘estimates training’ perhaps a better term?

Mr McMahon—That is correct. It is training provided by the Australian Public Service Commission titled ‘Appearing before parliamentary committees’.

Senator FAULKNER—Dr Morauta, for the benefit of the committee, could you identify which officials received estimates training and from whom such training was received?

Dr Morauta—We can talk about where we got the training from.

Senator Minchin—I think it is a bit rough to have the individuals identified as such, Senator Faulkner. I think we should properly know the cost, who provided the training and the number of officials, but to identify them individually is unnecessary. Perhaps you can be privately informed of that.

Senator FAULKNER—Let us come back to it. I hear what you say, Senator Minchin. I will progress the issue of media training broadly. I raised the issue of officials. I may recast my question to ask whether it is officials in the area of government advertising or not. But first of all let us establish the nature and extent of the estimates training that occurred before this Senate estimates round.

Dr Morauta—We will take that on notice. I do not have the details with me but we will try to get them as soon as possible.

Senator FAULKNER—You do not have the details available?

Dr Morauta—No.

Senator FAULKNER—When did this training take place?

Dr Morauta—I am not privy to it. The division heads offer this training to people in their divisions. I do not know how many people did it this time. I happen to know that a couple of them did, but I really do not have the details with me. I will have to get them for you.

Senator FAULKNER—Were outside consultants involved in the media training?

Dr Morauta—Again, I would have to take it on notice. I do not have the details.

Senator FAULKNER—This is quite critical in terms of the evidence that is adduced from officials, particularly about government advertising. My only expectation of officials—and I am sure you would realise this, Dr Morauta; this is not an opposition perspective but a perspective I had when I was a minister at the table—is that officials answer questions that are directed to them if they are able to and answer them completely and honestly. I do not expect them to answer questions that are not asked. I do not expect them to provide political spin; that is left to Senator Minchin or whomever the minister at the table is. We understand that. But I am asking these questions about this training because I want to have an understanding—before I commence asking questions about government advertising—about what preparatory work, in relation to the way officials have been required to answer questions, has been undertaken in the department. So it is quite critical in relation to the questioning at this estimates round. You have acknowledged that there have been consultants engaged for estimates preparations for your officials. We know that from the evidence. That is true, isn't it?

Dr Morauta—I know that Public Service Commission training was available. Right at this moment I am not clear whether consultants were also used. I will need to take that on notice and get back to you, but I probably cannot do that in the next half hour.

Senator FAULKNER—Let me ask you this question, Dr Morauta: did you have any estimates training?

Dr Morauta—No.

Senator FAULKNER—Mr McMahon, did you have any estimates training?

Dr Morauta—I do not know that all the officers have to answer that question.

Senator Minchin—Yes. As I said before, I think it is improper to grill every witness before this committee.

Senator FAULKNER—I do not want to grill everyone.

Senator Minchin—As I understand it, this form of training for preparation for appearance before committees—which would be not just estimates committees but other parliamentary committees of inquiry—is common in all departments. It is across the board. Any suggestion or implication that people have been specially trained to deal with questions on government advertising is an improper reflection on the department. In my own department, Finance, officials have had parliamentary committee training, which has nothing to do with government advertising; it is right across the board.

I would have thought that this committee and other Senate committees should take it as a sign of the seriousness with which the Public Service approaches the business of appearing before parliamentary committees. They do take it seriously, they do want to make the best presentation and, for public servants, it can be an intimidating experience. It is out of the norm for them to appear before committees of this sort. I do not know what went on inside PM&C, except that I know it is common across departments and across the breadth of activities within a department. I would ask you to refrain from singling out individual officials as to whether or not they have had training, albeit that you are perfectly entitled to

information on the costs of such training, who provided it and the extent of it across a department. I would imagine it was available to any public servant appearing before a committee, not just those in government advertising.

Senator FAULKNER—I agree with some of what you say, but not all of it. First of all, I have made no implication in relation to this matter—none at all. I accept that it would be helpful to ascertain who has been responsible for this training. I am particularly interested in training in the advertising area—that is why I asked Mr McMahon and Dr Morauta, who are at the table—and the cost to the department. But I have already been told that Dr Morauta does not know. That is why I have gone to Mr McMahon, who I believe would know.

CHAIR—Senator Faulkner—

Senator FAULKNER—Excuse me, Chair. I am asking a question of the minister; I do not think it is warranted to interrupt me at this point.

CHAIR—I was going to make an observation, Senator Faulkner.

Senator FAULKNER—I would be surprised if Mr McMahon were not in a position—to answer my questions in relation to this. It is not acceptable, frankly, for an official who is not aware of the situation to place it on notice if another official or other officials present, either at the table or sitting behind the witnesses, can provide answers to this question. I think that is a reasonable point to make.

Senator Minchin—I am suggesting that questions going to numbers, either across the department or in an individual section, of people who were trained and the cost of providing that training are appropriate and, if they can be answered, they should be answered. But I would ask you to refrain from pressing the issue of which officials had what training. But if the official has information on the other three issues—

Senator FAULKNER—I am not pressing that issue at the moment; I am pressing the nature of the training that occurred before this estimates round. I accept that Dr Morauta is not aware of this, but I would be surprised if other officials, either at the table or present at this hearing, would not be able to assist me, so let me ask the question.

Senator Minchin—I am happy to proceed on that basis.

Dr Morauta—We are looking right now for information around the type of training that was given and the cost of the training, and we will give it to you as soon as we can get it. People in the department are looking for that now.

Senator FAULKNER—Thank you; I appreciate that. Are you able to say, without identifying officials, which seems to be of concern to Senator Minchin—not a concern I necessarily share, I want to say—

CHAIR—It is a concern that the chair shares. This committee has always been very careful not to identify an individual's employment conditions or circumstances, and I think we need to be very careful in this area.

Senator FAULKNER—Given that you have interrupted me, let me respond to what you have said. This senator has always taken account of those issues. Unlike current and former coalition senators, I have always respected witnesses at the table. I have always made political

points to ministers or presiding officers at the table, and I do not require that guidance. People like former Senator Bronwyn Bishop do.

CHAIR—Senator Faulkner, it was your particular care which I had in mind, and it is a care which I am keen to see continue.

Senator FAULKNER—Equally, I can assure you that you do not need to look after me; I am perfectly capable of looking after myself.

CHAIR—That is very reassuring, Senator Faulkner.

Senator FAULKNER—Now that you have interrupted my question, let me go back to ask Dr Morauta: without identifying officials, are you able to say that officials who might be required to answer questions in the general area of government advertising have received training before this round of estimates?

Dr Morauta—I think that is the same type of question that you have been discussing with the chair and the minister.

Senator FAULKNER—I am just asking the question: are you able to say whether officials who are required to answer questions in relation to government advertising have received training—in fact, extensive media training—prior to this Senate estimates round? Can you confirm that?

Senator Minchin—Mr Chairman, that is another way of asking: which officials got what training? Dr Morauta has said that we will get the information as soon as possible on the numbers across the department, if it is available across the department, the costs and who provided it. Senator Faulkner is quite cleverly just asking his question in another way to identify the officials.

CHAIR—Dr Morauta has said that she will take the question on notice and endeavour to get back to the committee as soon as possible, so I think we should move on.

Senator FAULKNER—Has any official of the Department of the Prime Minister and Cabinet received one-on-one issues based estimates training before this estimates round?

Dr Morauta—Again, I would need to take that on notice and check it out. There are different types of programs. I do not know which programs were used this time.

Senator FAULKNER—I will continue to progress this issue but I will await responses to the questions I have asked and you have taken on notice, which I assume will be provided soon to the committee. I will progress this issue when those answers are made available. Dr Morauta, I would ask that you try and ensure that those answers are provided quickly, because I think the department ought to be able to provide them very soon. Obviously you can then respond to those questions a little later in the hearing. Could I ask a question, as we so often do, in relation to government advertising. Dr Morauta, you would be aware of the process that, after much cajoling and encouragement from me, has been put in place for the department to provide or table a document relating to expenditure on current and planned campaigns. Is that document available for the benefit of the committee? I am sure that my colleagues and I would like to ask questions about that, but let us wait until that is tabled. Chair, as you would appreciate, the tabling of this document, which is a comparatively new development, could save us a lot of time. Thank you for that, Dr Morauta. My colleagues

might want to follow up some other issues. Chair, we will wait for a moment until we get the document. My colleagues will take up the cudgels.

Senator WONG—I do not think I have asked questions in this section before, so I am sure you will bear with me. What is the current membership of the MCGC?

Mr McMahan—The current membership of the MCGC comprises the Hon. Gary Nairn as chairman, the Hon. Tony Smith, the Hon. Andrew Robb, the Hon. Sussan Ley, Mr Petro Georgiou and Mr Tony Nutt.

Senator WONG—I have had a look at the very nice documents that had been made public about the MCGC process. They are off the website I think. This seems to suggest—and this is important because I want to come back to it—that you have a developmental research stage, where there is a departmental draft brief and the GCU comments et cetera. Are you familiar with this document?

Mr McMahan—Yes. I do not have it in front me, but I have seen it before.

Senator WONG—Is this the process that is generally followed?

Mr McMahan—Generally so, yes.

Senator WONG—When you say ‘generally’ what do you mean? When is it not?

Mr McMahan—That is the process that is generally followed.

Senator WONG—What does that mean?

Mr McMahan—That is the process that is followed.

Senator WONG—Invariably, occasionally not—

Mr McMahan—No. That is the process that we follow.

Senator WONG—The GCU services the MCGC, doesn’t it?

Mr McMahan—Yes, that is correct.

Senator WONG—Are you the person who is in on these meetings?

Mr McMahan—Yes, that is correct.

Senator WONG—Who else from the Public Service is?

Mr McMahan—The First Assistant Secretary of the People, Resources and Communications Division from Prime Minister and Cabinet attends the MCGC meetings.

Senator WONG—Remind me who that is.

Mr McMahan—Ms Anne Hazell.

Senator WONG—And you?

Mr McMahan—Yes, that is correct.

Senator WONG—And anyone else?

Mr McMahan—Officers from the GCU attend, who are working on particular issues that are going before the committee.

Senator WONG—How long have the members of the MCGC that you identified been on this? I know Mr Nutt has been on there for some time.

Mr McMahan—How long have these individual members—

Senator WONG—Mr Nairn, Mr Smith, Mr Robb, Ms Ley—

Mr McMahan—I do not have that information with me. It would vary depending upon the individual member.

Senator WONG—Who is the most recent appointment?

Dr Morauta—We will have to take that on notice. Do you know?

Mr McMahan—I do not know. I only started in the GCU in August, so we will have to get back to you on that.

Dr Morauta—It is probably quite easy for us to get that for you.

Senator WONG—And there is no-one else from the Prime Minister's office other than Mr Nutt?

Dr Morauta—The membership that was read out is the membership.

Mr McMahan—That is correct, yes.

Senator WONG—Does anyone else from the Prime Minister's office attend the meetings?

Mr McMahan—No.

Senator WONG—Okay. We have the document.

Senator FAULKNER—I have the active campaigns document of yesterday's date. Senator Minchin, I have suggested over a number of estimates rounds that it might be useful—to save extracting this information—to have the actual figures for media placement—the dollar figures, in other words—also included in the table. They have not been included in the table. I again suggest that in future estimates rounds that that information be provided. It is provided by officials when asked. It just saves a lot of time for it to be provided in the table.

Senator Minchin—In the spirit of being helpful, do you mean money spent to date or total campaign—

Senator FAULKNER—Both budget—

Senator Minchin—Both—

Senator FAULKNER—Because the campaign is active, often the money has not been spent but there is obviously a budget in relation to these campaigns. We will find that information out over the hours ahead, but it would save a lot of time if it were included in the table.

Senator CHRIS EVANS—Some of that table was actually produced in response to question 68 at the following estimates. We had to wait for the answer to get the information that is clearly available. Senator Faulkner says he will take you painstakingly through the amounts anyway.

Senator FAULKNER—I have asked for this enhancement to the table previously—

Senator Minchin—I am not aware of a decision not to provide that.

Senator FAULKNER—No. It is just not provided. Mr McMahon, do you have a similar tabulation of campaigns that have been undertaken this calendar year but have now concluded? The document that has been tabled identifies 18 active campaigns. I am now asking whether you have a document that goes to those campaigns that have concluded either in this calendar year or in this financial year?

Mr McMahon—Not in that form. We provide information about campaigns that are active, and that is the table that you have before you.

Senator FAULKNER—Yes, but we also sometimes speak of campaigns that have been concluded. For example, a range of campaigns may well have concluded between the end of the last estimates round and the commencement of this estimates round. That just gives you an example of one possible period.

Dr Morauta—Just off the top of my head, and without having a tabulation of this, if I compare PM68 to what we have now, it looks to me as though quite a number of the elements of the answer to 68 are actually concluded campaigns. I am sure that it would take very little time to confirm for you which of the ones in PM68 have concluded and go through those. I am not sure it is a good idea for me to try this off the top of my head.

Senator FAULKNER—I accept that. If that could be done—

Dr Morauta—Yes, we can do that immediately.

Mr McMahon—The difficulty is, as Mr Williams has previously explained, that some campaigns cut across calendar years and financial years. So, for the purposes of not misleading the committee as to which campaigns conclude in which particular period, we have not provided that information.

Senator FAULKNER—I accept that point—that is true. But that tends to be covered by column D in the response to PM68, which shows the proposed dates of the advertising activity. The point you make is a valid point. These things can cut across calendar years and financial years, of course. We understand that and, frankly, the formula that has been adopted in the PM68 answer contemplates it too.

Senator CHRIS EVANS—Am I right to assume that the four that have concluded in recent months are the DEWR Support the System that Supports You campaign, the Opal fuel campaign, the skin cancer campaign and the youth tobacco campaign?

Dr Morauta—I can confirm that the Opal fuel, skin cancer and youth tobacco campaigns have finished. Drought assistance is on the list of those still going.

Senator FAULKNER—The support the system campaign is the other one. Has that concluded? It was suggested that that campaign would end in March this year.

Mr McMahon—That concluded in March.

Senator WONG—In my recollection of my questions in another committee about that, a second batch of advertising post-March was proposed in relation to that campaign. Could you confirm that?

Dr Morauta—It looks to me as though it is not running, because it is not on the current running list and it was on that list that we put in PM68. I think the most likely answer is that the support the system campaign has finished, but we will double-check for you.

Senator FAULKNER—Can you give us an actual media placement cost for the three identified campaigns, Opal fuel, skin cancer and youth tobacco, and possibly for support the system after you have checked that? Do we have a final figure on placements for those three or four campaigns?

Dr Morauta—I can confirm that support the system has been finished.

Mr McMahon—Sorry, Senator; what were the three campaigns?

Senator FAULKNER—There are four: support the system, Opal fuel, skin cancer and youth tobacco.

Dr Morauta—We are just trying to work out, and I will get somebody to check it for us, whether the figures in answer PM68 are the final ones. They are probably not.

Senator FAULKNER—That is why I am asking. I am asking for final figures for those campaigns concluded.

Dr Morauta—We need to get the final figures for you. Do we have them with us?

Senator FAULKNER—That is what I am asking.

Dr Morauta—We will just check.

Mr McMahon—I can provide some information. The Support the System that Supports You campaign, as I said to Senator Wong, concluded in March this year. The media spend on that was \$3.5 million.

Senator FAULKNER—So not the \$2.2 million that we were told earlier.

Dr Morauta—That was the figure as at 28 February, so it was at a particular point in time. We are now giving you the final figure.

Senator FAULKNER—Yes. That is why I am asking for the final figures. So it is \$3.5 million, not \$2.2 million. Do we have the figure for the Opal fuel campaign?

Mr McMahon—Yes. The campaign ran from February to April and the media spend on that was \$100,000.

Senator FAULKNER—So it was \$100,000, not the original \$40,000 figure?

Mr McMahon—Yes.

Senator FAULKNER—What about the skin cancer campaign?

Mr McMahon—It ran from November 2006 to February 2007. The media spend was \$5.2 million.

Senator FAULKNER—That is the same figure that was provided before. What about the youth tobacco campaign?

Mr McMahon—It ran from December 2006 to March 2007. The media spend was \$6.2 million.

Senator FAULKNER—As opposed to the \$4.7 million that was reported in that answer, PM68.

Senator CHRIS EVANS—While we are on this, it seems that drought assistance phase 2, which was due to finish in April 2007, is still on your active campaigns list. Does that mean it has been extended?

Mr McMahan—Phase 2 of drought assistance runs from December 2006 to June 2007.

Dr Morauta—That is different from what we said here.

Senator CHRIS EVANS—In February you said it was going to run until April.

Dr Morauta—It is reported as still running.

Mr McMahan—I think that was the position as at February, but it is now running until June this year.

Senator WONG—When was the decision made to continue the campaign?

Mr McMahan—I do not know.

Dr Morauta—We can take that on notice.

Senator WONG—Was the decision made at the MCGC level?

Mr McMahan—I cannot recall. Media plans are approved by the MCGC.

Senator WONG—Perhaps after morning tea you might get some information about this issue and the time frame around the decision to extend that campaign.

Senator CHRIS EVANS—Do we know how much we have spent to date on that campaign?

Mr McMahan—For phase 2, which runs from December 2006 to June 2007, the media spend is \$3.1 million.

Senator FAULKNER—So you can confirm that there are 18 active campaigns as of yesterday?

Mr McMahan—Correct.

Senator FAULKNER—Can we now identify the media placement budgets in relation to these campaigns? Before we do that, you might indicate for the purposes of the record what this relates to—the fact that it is only media placement as opposed to any other costs associated with these advertising campaigns.

Mr McMahan—Yes, that is correct. We only have details as to media placement, not other communications expenses, which are held by the responsible departments.

Senator WONG—So is the information on all the creative content et cetera in these campaigns held by you or do you have that information?

Mr McMahan—No.

Senator WONG—So that is all held by the relevant portfolio departments?

Mr McMahan—Yes, that is correct. They execute the agreements with the relevant agencies.

Senator WONG—Doesn't the MCGC have to sign off on that sort of expenditure as well or at least be consulted?

Mr McMahan—They do not approve expenditure. The agreements are between departments and the relevant agencies.

Senator FAULKNER—Just for the record, can you go through the elements of the advertising campaigns—for example, the research and so forth—that are not included in this.

Mr McMahan—Yes. There is a market research component. There would be a public relations component. NESB and Indigenous consultants may be contracted, depending on the particular audience that is to be targeted, and the creative agencies.

Senator FAULKNER—And all the creative work, yes.

Mr McMahan—That is right. It includes the production and costs.

Senator WONG—What about the evaluation?

Mr McMahan—Evaluation falls under the heading of market research.

Senator FAULKNER—In relation to the 18 active federal government advertising campaigns as of yesterday, can you explain to the committee first of all what figures you have? I assume you have a media placement or media buy budget figure; is that correct?

Mr McMahan—That is correct.

Senator FAULKNER—Do you have a current media spend for the ongoing—

Mr McMahan—The figure I am going to give you is the media spend to date, to 21 May.

Senator FAULKNER—So you are going to give me two figures: the budget for—

Mr McMahan—No, I beg your pardon. I am sorry, Senator, I did not mean to mislead you. There will be one figure, and it is the media spend figure. It will not be exactly actual; it will be very close to actual.

Senator FAULKNER—Yes, that is fine. Give me the media spend figure, but I also want the media placement budget for these campaigns which has been agreed by the MCGC. I am not going to fall for that one.

Dr Morauta—The figures we give you—and I will let my colleagues correct me if I am wrong—are the estimates for the activities that have been approved by the MCGC.

Senator FAULKNER—Let us get this definition right so that we know what we are talking about. You gave me the impression, Mr McMahan, that you were speaking about spend to date, which is not what I—

Mr McMahan—I am sorry, Senator. It will include spend to date but will also include the media budgeted component to the end of the campaign.

Senator FAULKNER—I think Dr Morauta nicely summed that up as what the budget authorised, effectively: the media spend expenditure authorised by the MCGC.

Dr Morauta—On which they have agreed. I am not sure that they are the authorising—

Senator FAULKNER—On which they have agreed, yes. If it is not agreed it is not here. Okay, let us have those figures for the 18 active campaigns. The first one is bushfire awareness.

Mr McMahan—Yes. You have got the purposes, so I will not go through that.

Senator FAULKNER—In many of the cases the purposes are the re-election of the Howard government; I think we know that. So we will just stick with the campaign.

Mr McMahan—The time frame for our bushfire awareness and preparedness campaign, which is coordinated by the Attorney-General's Department, runs from June 2006 to June 2007 and will have a media spend of \$1.9 million.

Senator WONG—What is the expenditure to date?

Mr McMahan—That includes the expenditure to date; that is also the budget—

Senator WONG—Yes. I am asking what the expenditure to date is.

Mr McMahan—I do not have that figure.

Senator WONG—Do you have them in relation to any of the campaigns?

Mr McMahan—No.

Senator WONG—Can you get them over the break?

Mr McMahan—We could look to get them.

Senator WONG—For the 18 active ones?

Mr McMahan—Yes, we could look to get them.

Senator WONG—Thank you.

Senator FAULKNER—Okay: national security?

Mr McMahan—That ran from February 2006.

Senator FAULKNER—Firstly, just tell us what the national security campaign involved. It has advised Australians of a hotline and to remain alert and report suspicious activity.

Senator WONG—But not alarmed.

Senator FAULKNER—Was there one television advertisement involved in this—the hotline advertisement?

Mr McMahan—Are you asking how many executions there are of it?

Senator FAULKNER—No; I am asking you whether there was more than one advertisement in the campaign.

Mr McMahan—I would have to seek that information. I cannot recall how many executions there were.

Senator FAULKNER—Thanks to questions I have asked here, Senator Minchin is now an expert on the hotline number.

Senator Minchin—That is right.

Senator FAULKNER—He is just waiting for me to ask him what it is so that he can show off, but I am not going to.

Senator CHRIS EVANS—I was going to ask him the childcare number. There are so many hotlines.

Mr McMahan—I have just been advised that there is one execution, one TVC, in that campaign.

Senator FAULKNER—When did that run from?

Mr McMahan—February 2006 until June 2007.

Senator FAULKNER—And the cost—or the budget?

Mr McMahan—It is \$4.8 million.

Senator FAULKNER—People Trafficking?

Mr McMahan—It is an ongoing campaign and does not have a media cost associated with it. You will recall that Mr Williams explained in the past that it is provided gratis by media outlets.

Senator FAULKNER—Yes. Family Law Reform (Phase 1)?

Mr McMahan—June 2006 until June 2007, with a media spend of \$2.9 million.

Senator FAULKNER—Quarantine Matters?

Mr McMahan—January 2007 until June 2007, with a media spend of \$2.6 million.

Senator FAULKNER—Simpler Super?

Mr McMahan—May 2007 until June 2007, with a media spend of \$15.8 million.

Senator FAULKNER—Regional Telecommunications Consumer?

Mr McMahan—It runs from April 2007 to June 2007, with a media budget of \$500,000.

Senator FAULKNER—Defence Force Recruiting?

Mr McMahan—July 2006 to June 2007, with a media budget of \$17.4 million.

Senator FAULKNER—Skills for the Future?

Mr McMahan—October 2006 to June 2007, with a media budget of \$12.9 million.

Senator FAULKNER—Workplace Relations?

Mr McMahan—May 2007.

Senator FAULKNER—To what dates in May 2007? Can you be more specific, please?

Mr McMahan—The week of 20 May—so this week.

Senator FAULKNER—What is the media spend?

Mr McMahan—It is \$4.1 million.

Senator FAULKNER—Just on media places in a week. Smartraveller?

Senator WONG—What period of time does \$4.1 million relate to?

Senator FAULKNER—From 20 May to 27 May, isn't it?

Mr McMahon—To 26 May, I think.

Senator WONG—So one week?

Mr McMahon—Yes.

Senator FAULKNER—From 20 May to 26 May.

Senator WONG—That is \$4.1 million in a week.

Mr McMahon—Yes.

Senator FAULKNER—Just on media placements.

Senator WONG—Just on media placement for the industrial relations ads.

Senator FAULKNER—Perhaps I could ask you this, Senator Minchin; it is a political question: given that the information available today on media placements alone in relation to this week's workplace relations campaign does not include market research and evaluation, does not include public relations, does not include NESB or Indigenous components and does not include any of the creative work, but given that that figure of \$4.1 million in media placement for a week has been provided for us, can you explain why neither Mr Howard nor Mr Hockey was able to provide that information either publicly or in the House of Representatives?

Senator Minchin—I have a transcript here of Minister Hockey's conversation with John Laws on air yesterday, in which Mr Laws said:

... what's it costing a week? Because then we'll know when the campaign stops, just how much has been spent.

Hockey:

... our advertising booking is less than \$5 million.

Laws:

A week?

Hockey:

No, for this first tranche.

So Mr Hockey said yesterday in public—

Senator FAULKNER—Could you repeat the second last line about 'per week'. What did Mr Laws ask?

Senator Minchin—Hockey said:

... our advertising booking is less than \$5 million—

which is consistent.

Senator FAULKNER—Yes. What did Mr Laws then ask?

Senator Minchin—Laws then said:

A week?

Hockey said:

No, for this first tranche—

which has been confirmed as being for this week.

Senator FAULKNER—Which is less than a week.

Senator Minchin—No, for this week.

Senator FAULKNER—So Mr Hockey in fact misled John Laws and his listeners.

Senator Minchin—No, he was saying that what has been booked is less than \$5 million for this first tranche. He did not pursue that, but—

Senator FAULKNER—John Laws asked whether it was for a week and he said—

Senator Minchin—No, he said ‘a week’, suggesting that there was an ongoing campaign—that is, that it was just unlimited every week. There is that one tranche, which is this week, which has been confirmed and which Mr Hockey said yesterday on the record was less than \$5 million, consistent with what is being put to you today.

Senator FAULKNER—I treat that as misleading radio listeners, but—

Senator Minchin—Well, I do not think it is.

Senator FAULKNER—That is what I treat it as. But to come back to my substantive question: why haven’t the Prime Minister and Mr Hockey been able to give the precise media placement figures that we have heard from Mr McMahon today?

Senator Minchin—Mr Hockey said our advertising booking is less than \$5 million. That is entirely consistent with that.

Senator FAULKNER—But they have been asked specifically what it is. Why haven’t they been able to provide it?

Senator Minchin—He said it is less than \$5 million. He did not say \$4.1 million or \$4.7 million; he said less than \$5 million.

Senator CHRIS EVANS—Mr Nairn and Mr Hockey were asked in the House repeatedly yesterday. They were unable to provide that information.

Senator Minchin—Mr Hockey was on record yesterday, so I do not know what your problem is.

Senator FAULKNER—It is not just a question of what happened on a radio program; these are questions that have been asked in the parliament. I fail to understand why there is such a lack of transparency.

Senator Minchin—There is no lack of transparency. Mr Hockey was on radio giving you the figure. What more could you want?

Proceedings suspended from 10.47 am to 11.02 am

CHAIR—I call the committee to order.

Senator FAULKNER—We were dealing with the \$4.1 million media placement for the so-called workplace relations campaign, and I want to be clear on one thing before we move to the next one. Obviously we will come back to some of these. You gave us the date, effectively this week, 20 to 26 May. There were ads placed in newspapers on 5 and 6 May 2007—I saw one of them in the *Weekend Australian Financial Review* and there are probably

other examples—headed: ‘A stronger safety net for working Australians’. What campaign is that part of?

Mr McMahan—Are you asking about the—

Senator FAULKNER—In the *Weekend Australian Financial Review* of the weekend 5 and 6 May, there were ads placed headed ‘A stronger safety net for working Australians’ about the Australian workplace relations system and how the fairness test works and all that sort of stuff. What campaign do those ads belong to?

Mr McMahan—It was placed as non-campaign advertising.

Senator WONG—From my recollection, these were ads that were in every major daily newspaper in Australia over that weekend—and it is regarded as non-campaign advertising?

Mr McMahan—It was placed as non-campaign advertising, that is correct.

Senator CHRIS EVANS—What does that mean? What is your definition of non-campaign?

Mr McMahan—It is not part of a campaign.

Senator CHRIS EVANS—What is the approval process for that?

Mr McMahan—It is approved by the relevant departments and placed through the government’s non-campaign media agency, HMA Blaze.

Senator FAULKNER—Of course, the significance of this goes to the decision-making process of the ministerial committee. The non-campaign advertising does not go to the ministerial committee.

Mr McMahan—That is correct.

Senator FAULKNER—Hence it is not included in the figures that you have provided.

Mr McMahan—That is correct.

Senator FAULKNER—Because it is non-campaign advertising, so defined, the fact that there were placements on 5 and 6 May for effectively the same campaign also does not alter the date by which PM&C defines the campaign, namely from 20 May to 26 May. Is that right?

Mr McMahan—It was not part of an approved campaign.

Senator FAULKNER—So you do not have any figures relating to the costs of that non-campaign advertising.

Mr McMahan—I do.

Senator FAULKNER—Could you provide those figures for us too, please.

Mr McMahan—As you said, the non-campaign advertising was placed on 5 and 6 May. The total cost of the placement was \$472,195.

Senator FAULKNER—Is that non-campaign advertising defined as part of the workplace relations element of the active campaigns? Is it DEWR advertising?

Mr McMahan—That is correct.

Senator FAULKNER—Part of the workplace relations 2007 campaign.

Mr McMahan—No. It was non-campaign advertising.

Senator WONG—Has the MCGC approved a budget for non-campaign advertising expenditure?

Mr McMahan—No.

Senator WONG—But you have figures for non-campaign advertising to date.

Mr McMahan—Yes. I have total non-campaign advertising expenditure figures until 31 March this year.

Dr Morauta—The figure we just gave you was just for that 5 and 6 May advertising.

Senator WONG—I got that. So what is the total non-campaign advertising expenditure to date? I presume this is financial year to date, Mr McMahan?

Mr McMahan—That is correct. This is the total across the Commonwealth, including Commonwealth companies, the Northern Territory and ACT governments, Australia Post and Meat and Livestock Australia. For the financial year to date, for non-campaign advertising, the figure is \$34,345,000.

Senator WONG—Are you able to table a document which lists details of that expenditure and what advertising that relates to?

Dr Morauta—I do not think we have that with us.

Mr McMahan—No, I do not have that.

Dr Morauta—We could certainly look into it for you.

Senator WONG—What do you have, Mr McMahan?

Mr McMahan—I have a total for the financial year until 31 March.

Senator WONG—But you read out a range of portfolios or issues to which that related, so presumably you have those constituent components of the non-campaign advertising.

Mr McMahan—No. We were talking about campaign advertising.

Senator CHRIS EVANS—You mentioned Meat and Livestock Australia.

Dr Morauta—I think that is about the scope of the category.

Senator WONG—Thank you. Do you have the categories of the non-campaign advertising?

Mr McMahan—Yes: all government departments and Commonwealth companies.

Senator WONG—Are you able to give us the categories of non-campaign advertising which comprise the \$34,345,000 in the current financial year to date?

Mr McMahan—When you say the categories, do you mean the departments that fall under that?

Senator WONG—If that is how you allocate the information.

Mr McMahan—Yes. It is all Commonwealth departments and agencies.

Senator WONG—I want the spend per department, Mr McMahan.

Mr McMahon—I see.

Senator WONG—Do you have a document you could table?

Mr McMahon—No, I do not think we do.

Dr Morauta—But we can certainly get that information for you.

Senator WONG—Can we come back to that later today?

Dr Morauta—We can certainly get people working on that for you.

Senator WONG—Thank you.

Senator CHRIS EVANS—Can you explain to me conceptually what is the difference between a campaign and a non-campaign advertising effort?

Mr McMahon—A campaign is that which is approved by the ministerial committee. It will comprise the various elements that I outlined this morning; for example, it will include market research, it will be based on a communication strategy and it will have a creative element. There will be production of the creative; there may be a public relations firm contracted. Non-campaign advertising is bland, factual advertising placed by departments outside of the MCGC process.

Senator FAULKNER—It is a critical difference because we know that the government's workplace relations advertising is neither bland nor factual.

Senator CHRIS EVANS—I am not sure you should have used the word 'bland', but I take your point.

Mr McMahon—That is the description of non-campaign advertising.

Senator CHRIS EVANS—Is it a formal description?

Senator Minchin—I think it is mainly job ads and that sort of stuff.

Mr McMahon—That is correct.

Senator CHRIS EVANS—Does it include job ads?

Mr McMahon—Yes. It includes job ads, tender notices, invitations for expressions of interest and those sorts of things.

Senator CHRIS EVANS—Can you give us the figure for the last financial year.

Mr McMahon—Do you want the non-campaign figure?

Senator CHRIS EVANS—Yes.

Mr McMahon—Last financial year the non-campaign figure was \$70.7 million. That was for 2005-06.

Senator CHRIS EVANS—This year it is \$34 million up until what date?

Mr McMahon—Up until 31 March.

Senator FAULKNER—In relation to the non-campaign advertising, I asked you about the ads placed on the weekend of 5 and 6 May—'A Stronger Safety Net for Working Australians'—at \$472,195. Are you aware whether those or similar advertisements in relation

to workplace relations have been placed at any other stage as non-campaign advertising, or was that the only time it occurred?

Mr McMahan—Do you mean for workplace relations?

Senator FAULKNER—Yes.

Mr McMahan—Yes, that is correct.

Senator FAULKNER—Is that the only time it occurred?

Mr McMahan—At the moment?

Senator FAULKNER—Yes, at the moment.

Mr McMahan—Yes, that is correct.

Senator FAULKNER—Are you aware of any plans for it to occur in the future?

Mr McMahan—No.

Senator FAULKNER—I asked because you said, ‘at the moment.’

Dr Morauta—Was your question: have there been non-campaign newspaper adverts in relation to workplace relations before 5 and 6 May? Do we know the answer to that question? I am not sure we do. I am just trying to get clear what was asked.

Mr McMahan—There was non-campaign advertising placed in the Employment and Workplace Relations portfolio in July 2005.

Senator FAULKNER—In the figures that you have provided to us to date, there is a national security campaign of \$4.8 million. How many months did that run for?

Mr McMahan—It ran from February 2006 until June 2007.

Senator FAULKNER—Would that be 16 months approximately?

Mr McMahan—I do not know that it was constant. We often pulse these things.

Senator FAULKNER—But it was over 16 months?

Mr McMahan—Yes, that was over the period.

Senator FAULKNER—So we have got a situation where national security advertising was \$4.8 million over 16 months, but workplace relations advertising—because the government is in a massive political hole—was \$4.1 million of placements over just six days. Is that right, Senator Minchin? It says a lot about the government’s priorities.

Senator Minchin—You should not politicise a question to an official.

Senator FAULKNER—I am saying to you that it says a lot about the government’s priorities, does it not?

Senator Minchin—The national security advertising, as was indicated, was not constant over that 16 months. It comes and goes. These are quite significant changes to workplace relations. It was a television-focused campaign and as you know that is much more expensive.

Senator FAULKNER—This says it all about the government’s priorities. National security advertising was \$4.8 million of ad placements over 16 months and workplace

relations—trying to dig yourselves out of a political hole—was \$4.1 million of placements over six days.

Senator Minchin—That is just your pejorative reflection on government advertising.

Senator FAULKNER—It is my reflection—

Senator Minchin—It is your pejorative reflection. Workplace relations affect most Australians and they are entitled to information about changes in the law made by their government.

Senator FAULKNER—on this disgraceful advertising campaign.

Senator Minchin—What absolute rubbish! Workplace relations affect every single Australian and they are entitled to know about changes to the law, and we have properly advertised those changes.

Senator WONG—How many average weekly wages is \$4.1 million?

Senator Minchin—Do not give me any hypocrisy, Senator Wong. You come from a state where your state Premier puts himself in the ads, so do not give me hypocrisy about government advertising. What the South Australian Labor government does is quite appalling. You have not seen John Howard in any of the ads—you see Mike Rann in all the government ads paid for by the taxpayers of South Australia. So do not give me any lectures about government advertising.

Senator WONG—You have spent \$4.1 million in six days. How many weekly wages is that? That is not the end of it.

Senator FIERRAVANTI-WELLS—Senator Faulkner and Senator Wong, what about when you guys were in office?

Senator CHRIS EVANS—Is that a question?

Senator FIERRAVANTI-WELLS—I am just making the point, Senator Evans, that if we go back to the time when you were in government and what you did, perhaps the shoe would be on the other foot. I think Senator Minchin is right—it is hypocrisy.

Senator WONG—Half a million dollars on refurbishing your kitchen; I reckon that is some sort of record.

CHAIR—There are plenty of monologues all round. Senator Faulkner, do you have a question?

Senator FAULKNER—Thank you. I was asking some questions—

Senator WATSON—There is the New South Wales government too.

Senator FIERRAVANTI-WELLS—And what about the New South Wales government and what they recently did? Absolutely, Senator Watson.

Senator FAULKNER—When you have finished screeching, I will ask my next question. I was working my way through the campaigns active as of yesterday. We are up to workplace relations and the \$4.1 million media placement spend over six days compared to a national security spend of \$4.8 million over 16 months, but we will come back to that. Can we go to the next campaign to get the overall figures—the Smartraveller 2007 campaign?

Mr McMahan—That runs from April 2007 until June 2008 with a media budget of \$7.5 million.

Senator FAULKNER—The next one is the asthma awareness campaign.

Mr McMahan—That goes from May 2007 through until July 2007 with a media spend of \$1 million.

Senator FAULKNER—What about the cervical cancer HPV vaccination?

Mr McMahan—That goes from March 2007 until December 2007 with a media spend of \$6.1 million.

Senator FAULKNER—The Pregnancy Support Helpline?

Mr McMahan—That goes from May 2007 to August 2007 with a media spend of \$300,000. Private health insurance goes from April 2007 until June 2007 with a media spend of \$14.5 million.

Senator WONG—For three months?

Senator FAULKNER—What about drought assistance phase 2?

Mr McMahan—That goes from December 2006 until June 2007 with a media spend of \$3.1 million. The citizenship program goes from September 2006 until June 2007 with a media spend of \$2.7 million.

Senator FAULKNER—Finally, of the 18 currently active campaigns, what about Eliminating Violence Against Women?

Mr McMahan—That goes from March 2007 until December 2007 with a media spend of \$13.1 million.

Senator FAULKNER—What is the total figure for those active campaigns, as of yesterday?

Mr McMahan—It is \$111.2 million.

Senator FAULKNER—Before my colleagues ask further questions about this, I come back, Dr Morauta, to the process issue here. I do think it would be of value in the future if the time period of these campaigns and the budgeted media placement figures could be provided in the tabulations. I have mentioned this at any number of estimates; it does save time. I suspect it saves one or two outbursts from wobbly coalition senators, too, so it is in everyone's interest.

Senator FIERRAVANTI-WELLS—Be careful, Senator Faulkner.

Senator FAULKNER—I was not looking at you, Senator; I was looking at Senator Minchin.

Senator Minchin—Only when provoked, Senator Faulkner. But I think that is a perfectly reasonable request.

Senator WONG—There are a few details I would like to follow up on. The first relates to private health insurance. You said that program ran from April to June with a media spend of \$14.5 million. When you indicate April, is that at some time during the month of April or the

commencement of the month? When you say June, is it part way through? I am trying to get a sense of whether this nearly \$15 million is over a couple of months or three months.

Mr McMahon—The Private Health Insurance campaign commenced on Sunday 29 April and will run until 30 June.

Senator FAULKNER—What about the Telecommunications Safeguards campaign?

Mr McMahon—I do not have the specific dates on that.

Dr Morauta—We can get them for you.

Senator FAULKNER—Isn't your Telecommunications Safeguards guide being mailed to 3.1 million households in rural and regional Australia during May and June? Are you aware of this?

Mr McMahon—We might come back on that.

Senator FAULKNER—As I understand it, this includes both TV ads and the mail-out of a brochure. I would appreciate you coming back to me on that as soon as you can.

Senator CHRIS EVANS—That might be a non-campaign campaign.

Senator FAULKNER—It could be but it seems unlikely.

Senator WONG—Mr McMahon, for the non-campaign component of government advertising you indicated, and I think it is on the public record, that HMA Blaze is the provider.

Mr McMahon—Yes, that is correct.

Senator WONG—I thought media reports had their contract at \$25 million.

Mr McMahon—I do not have the figures for the retainer.

Senator WONG—Does the MCGC or the GCU have any involvement in the non-campaign contract?

Mr McMahon—The contract is with the GCU.

Senator WONG—So you select the tenderer?

Mr McMahon—Yes, that is correct.

Senator WONG—What involvement does the MCGC have in the expenditure relating to non-campaign advertising?

Mr McMahon—Non-campaign advertising does not go before the MCGC.

Senator WONG—Or the GCU?

Mr McMahon—No.

Senator WONG—So who ticked off on the \$472,000 for the placement of ads in all the major dailies on the weekend of 5 and 6 May in relation to an industrial relations test that had not yet been written?

Mr McMahon—The advertisements were authorised by the department. Prime Minister and Cabinet was involved in facilitating the process.

Senator WONG—What does ‘PM&C was involved in facilitating the process’ mean?

Dr Morauta—We run a central advertising system and we place advertising in the media for the whole of the Public Service, as an efficiency measure. Our role is to run this centrally efficient process in terms of getting a contract that enables everybody across the service to get a decent rate in the papers. That is our role.

Mr McMahan—Yes, that is the general role; that is correct. For the sake of accuracy, Senator, in relation to the specific advertising, the GCU was involved in that particular execution.

Senator WONG—Okay. What was your involvement?

Mr McMahan—We facilitated the urgent placement.

Senator WONG—The urgent placement: when were you first advised of the placement?

Mr McMahan—On 4 May.

Senator WONG—On the Friday?

Mr McMahan—That is correct.

Senator WONG—On the Friday, who contacted you telling you, ‘We want ads in every major daily in Australia—full-page ads’?

Mr McMahan—The Prime Minister’s office contacted the GCU.

Senator WONG—Who from the Prime Minister’s office?

Mr McMahan—Senator, I think it is usual practice that we do not reveal names of individuals in the PMO.

Senator WONG—So the PMO contacted you, Mr McMahan, or someone else?

Mr McMahan—It was me.

Senator WONG—What time of the day did that occur?

Mr McMahan—It was in the morning.

Senator WONG—What was the instruction given?

Mr McMahan—To commence preparation, in cooperation with DEWR, for non-campaign advertising on 5 and 6 May.

Senator WONG—Being the next day and the day after.

Mr McMahan—That is correct.

Senator WONG—Was it made clear to you that the placement was to be a full page in all major dailies?

Mr McMahan—I cannot recall.

Senator WONG—Who made the decision that it would be non-campaign advertising?

Mr McMahan—Because it was placed through HMA Blaze it is non-campaign advertising.

Senator WONG—But you indicated to me that you were contacted by the Prime Minister's office on the Friday before these ads appeared—right?

Mr McMahon—That is correct.

Senator WONG—And that you were told that there was going to be placement of non-campaign advertising for that weekend. Is that correct?

Mr McMahon—We were asked to facilitate with DEWR the placement of advertising on that weekend.

Senator WONG—So the decision to deem these ads as non-campaign advertising occurred in the Prime Minister's office?

Mr McMahon—I do not know that they deemed that it was non-campaign advertising. That is how it was placed because of the nature of the advertisements.

Senator WONG—You told us before that non-campaign advertising was—how did you describe it?—bland.

Mr McMahon—Bland and factual.

Senator WONG—Bland and factual—implying, I suppose, that campaign advertising such as the industrial relations ads are spin and nonfactual. Is that right?

CHAIR—No, you cannot—

Senator FAULKNER—I think it is a very fair assessment.

Senator WONG—Well, what is the antonym of bland and factual?

CHAIR—Senator Wong, do you have a question for Mr McMahon, please?

Senator WONG—Yes, I do.

Senator FAULKNER—I have one to follow on the question from Senator Wong about non-campaign advertising. Mr McMahon, I thought you gave a good definition about non-campaign advertising and what it has normally been—things like job vacancy advertising and that sort of thing. That is what I always understood it to be. How often has the definition of non-campaign advertising been extended to full-page advertisements on a political issue in every major Australian weekend newspaper? Does that fit the definition of non-campaign advertising? Or has the government—

Senator Minchin—Senator Faulkner, that question is a little unfair because you have, as is your right, described these ads as political and that is not necessarily something that the official can accept or remark upon. You are asking about other examples of political advertising. It is your definition of political advertising, and I accept that you are entitled to define it as political. But that is not a fair question to the official.

Senator FAULKNER—Senator Minchin, you know as well as any person in this room what non-campaign advertising is. You have had a lot of experience in it. I certainly have understood what non-campaign advertising is over the years and I suggest to you it has never extended, at any stage, to a campaign that led to the placement of advertisements in every major Australian weekend newspaper, in this case, on the weekend of 5 and 6 May. That has never been the way that non-campaign advertising has been used or exploited in the past. I am

asking if any of the officials can give me an example where a similar approach to non-campaign advertising has been used. You know what it is about. It is about advertising for job vacancies and the like. That is what it is, and this is a new way to get around accountability and process—call partisan political advertising ‘non-campaign advertising’.

Senator Minchin—That is wrong. There is full accountability here. You are being fully informed about the campaign, about that advertising and its cost. There is no attempt to hide anything. It was categorised as non-campaign because of the way it was placed. I do not have the ad in front of me.

Senator FAULKNER—Non-campaign advertising has never been of this nature before.

Senator Minchin—That is your assertion. I do not know whether or not there is a precedent for it.

Senator FAULKNER—Can you give me an example where it has ever happened in the past?

Senator Minchin—It depends what you—

Senator FAULKNER—I know of no example. I have been at this committee for a long time and have followed these matters very closely, as you have.

Senator Minchin—I am not sure what your criteria are. Do you mean at short notice and full page or what? What are your criteria?

Senator FAULKNER—The short notice issue is another one.

Senator Minchin—I am not sure of your criteria for which you seek a precedent.

Senator FAULKNER—I do not think notice has a great deal to do with the nature of the advertising.

Senator Minchin—That is not the criteria. What are your criteria?

Senator FAULKNER—Non-campaign advertising in the past has never been partisan political advertising.

Senator Minchin—Neither were these.

Senator FAULKNER—It is about that. It is promoting the government’s workplace relations system. If you cannot give me an example, I am sure Mr McMahon will be able to provide me with information about the premium that was paid because of the late notice that has been exposed by Senator Wong in her questioning. What was the premium, if any, that was paid in relation to the placements of these advertisements at such late notice?

Mr McMahon—I do not know that there was any premium on the placements of these advertisements because of the time frames involved.

Senator FAULKNER—You do not know?

Mr McMahon—No. I am not aware of any.

Senator FAULKNER—Who would be aware of it?

Mr McMahon—I do not know that there was a premium.

Senator FAULKNER—You do not know. I am interested in finding someone who will know. I accept that you do not know.

Dr Morauta—We will make inquiries.

Senator FAULKNER—I accept that you do not know. I want to talk to someone who does know.

Dr Morauta—We will find out the answer to your question, Senator: was a premium placed for late placement?

Senator CHRIS EVANS—Explain it to me. You had a phone call from the Prime Minister's office on Friday morning to place ads for weekend papers on the Saturday. No doubt they print their advertising pages at the latest on Friday evening. Who did the design work and finalised and approved the ad between Friday morning and Friday afternoon?

Mr McMahon—HMA Blaze did the design work.

Senator CHRIS EVANS—Who approved the content?

Mr McMahon—It was approved by the Prime Minister's department and the Department of Employment and Workplace Relations in consultation with the relevant ministerial offices.

Senator FAULKNER—What level of official in the Department of the Prime Minister and Cabinet was the approving officer? We do not want to use names because Senator Minchin is very sensitive about that, so let us just have the level.

CHAIR—We all are.

Senator FAULKNER—You are only sensitive on certain occasions. Let us be clear about that. It depends on whose name it is, in your case. If it is one of your political enemies, you are delighted for them to be rolled out. I can understand that.

CHAIR—Mr McMahon, you have the call.

Mr McMahon—An SES band 1 officer.

Senator FAULKNER—I see. An SES band 1 officer. You said there was also involvement of the Prime Minister's office.

Mr McMahon—Yes, that is correct, Senator.

Senator FAULKNER—Does the Prime Minister's office, the political office, normally get involved in non-campaign advertising, Mr McMahon, or is that just another precedent that has been established?

Senator Minchin—Again, I do not think a question about what is normal, in your terms, is fair.

Senator FAULKNER—Well, I do.

Senator Minchin—You can ask what occurred in this case.

Senator FAULKNER—We know what occurred in this case; the issue is whether it occurs usually or has ever done so before in relation to non-campaign advertising.

Senator Minchin—That is not a fair question. An official is not required to answer that.

Senator FAULKNER—Has the penny dropped yet, Senator Minchin, that it is not really non-campaign advertising at all? It might be so defined, but it is partisan political advertising.

Senator Minchin—No; it is government information.

Senator WONG—Why don't we ask the question this way: Mr McMahon, have you ever been contacted by the Prime Minister's office previously in relation to non-campaign advertising?

Mr McMahon—Yes.

Senator WONG—On what occasions? In relation to what advertising?

Mr McMahon—I cannot recall the occasions in the past, but I have certainly been contacted in relation to non-campaign advertising.

Senator WONG—For advertisements relating to the Prime Minister's office or the Prime Minister's department—that is, job advertisements?

Mr McMahon—No.

Senator WONG—Which campaigns?

Mr McMahon—I cannot recall all of them.

Senator CHRIS EVANS—What about one of them?

Senator WONG—Some of them?

Dr Morauta—We are not saying they are campaigns, are we?

Senator WONG—All right. What issues?

Mr McMahon—I can recall that we placed advertisements for eligibility for LPG conversion grants.

Senator WONG—Any others?

Mr McMahon—I cannot recall.

Senator WONG—That was advertising the government's budget announcement, was it?

Mr McMahon—No.

Senator WONG—What was it in relation to?

Mr McMahon—It was the availability of a grant from a particular date, and I think it was in August last year.

Senator WONG—I recall the policy change, but I am asking: what was the nature of the advertising which was then undertaken?

Mr McMahon—To advise the community of the availability of grants.

Senator WONG—What was placed—full-page ads, singles, newspaper ads? Do you remember that?

Mr McMahon—They were not full-page advertisements.

Senator WONG—But they were newspaper advertisements nationally?

Mr McMahon—Yes.

Senator WONG—And that was after discussions with the Prime Minister's office as well?

Mr McMahan—Yes.

Senator WONG—And that was when?

Mr McMahan—August last year, I recall.

Senator WONG—Was that also at short notice?

Mr McMahan—I cannot recall.

Senator WONG—Are you able to give me the amount of those advertisements.

Mr McMahan—No, I am not.

Senator WONG—You can take that on notice, yes?

Mr McMahan—Certainly.

Senator WONG—We have \$472,195 for this non-campaign advertising for the industrial relations advertisements. You might have answered this, but are you aware of any other expenditure associated with workplace relations out of the non-campaign advertising expenditure budget?

Mr McMahan—No.

Senator WONG—I think Senator Faulkner asked who the approving officer was in relation to these advertisements; I am not sure what your answer was.

Senator Minchin—The officer gave the band level of the officer.

Senator WONG—Which department?

Senator Minchin—SES band in PM&C.

Senator WONG—Who prepared the text, not the layout, of the ads?

Mr McMahan—The accuracy of the text was confirmed between PM&C and DEWR.

Senator FAULKNER—Who drafted it was the question.

Senator WONG—Who drafted it?

Mr McMahan—Prime Minister and Cabinet drafted the advertisement.

Senator WONG—Who in the department?

Senator Minchin—We are not naming officials.

Senator WONG—Which office? Was it GCU or some other office?

Mr McMahan—Yes, that is correct.

Senator WONG—GCU?

Mr McMahan—Yes.

Senator CHRIS EVANS—Do you normally draft the ads yourself?

Mr McMahan—No, not usually.

Senator FAULKNER—It is normally done by the home department, isn't it?

Mr McMahan—Yes, that is correct, unless it is for PM&C advertisements.

Senator FAULKNER—But PM&C got some input for the drafting of the ads, didn't it? You did not lock yourself in a room and do it.

Dr Morauta—You said that we were working with DEWR.

Mr McMahan—Yes, that is correct. We had discussions with DEWR.

Senator FAULKNER—Did you have discussions with anyone else?

Mr McMahan—Other than the Department of Employment and Workplace Relations, no.

Senator FAULKNER—You certainly did not have discussions with the Prime Minister's office, did you?

Mr McMahan—Yes.

Senator FAULKNER—In the drafting?

Mr McMahan—Yes.

Senator FAULKNER—For non-campaign advertising?

Mr McMahan—Yes.

Senator FAULKNER—Was a draft provided by the Prime Minister's office?

Mr McMahan—No.

Senator CHRIS EVANS—How did it work? Did you sit around a table with people from PMO and the department and draft up the ad?

Mr McMahan—No; it was done by telephone.

Senator CHRIS EVANS—Obviously some of the information is IR specific. I presume you do not have that sort of expertise inside your unit.

Mr McMahan—That is correct.

Senator WONG—You say that it was done by phone. Can you take us through the process? Did someone in your unit do the first cut or the first draft?

Mr McMahan—That is correct.

Senator WONG—What did they draw on for that?

Mr McMahan—I cannot recall.

Senator WONG—Was it advice from the department or some other information emailed through from the PMO?

Mr McMahan—I cannot recall.

Senator WONG—You cannot recall?

Mr McMahan—No.

Senator WONG—You were not the officer?

Mr McMahan—I cannot recall the source of the information that was used.

Senator WONG—So a first cut was done. Was it then emailed through to the PMO for consideration?

Mr McMahan—I cannot recall what the approvals process or the liaison process was.

Senator WONG—You have said quite clearly, Mr McMahan, that there was discussion and consultation with the PMO—the Prime Minister’s office—on the text of this advertisement.

Mr McMahan—That is correct.

Senator WONG—I am asking about the detail of that.

Mr McMahan—I cannot recall what the mechanism of those discussions was.

Senator WONG—Are you able to refresh your memory by talking to someone who was involved in it? We are talking less than a month ago.

Dr Morauta—Why don’t we take on notice the question about process and we will work through it in detail and give it to you, Senator? It sounds like the officer may need to look at records et cetera.

Senator WONG—How many people in the Prime Minister’s office were involved in the consultation?

Mr McMahan—Two.

Senator WONG—Was there anyone outside the Prime Minister’s office or the Public Service?

Mr McMahan—No.

Senator WONG—No market research companies?

Mr McMahan—I should clarify that by saying that HMA Blaze were involved in that for the typesetting.

Senator WONG—Typesetting? So all they did was typeset it?

Mr McMahan—The design.

Senator FAULKNER—Are you able to explain to the committee, Mr McMahan, why in this ad, which was very quickly developed the day before the weekend of 5 and 6 May, the words ‘Work Choices’ do not appear?

Mr McMahan—No.

Senator FAULKNER—You cannot explain that?

Mr McMahan—No.

Senator WONG—Was that something that was raised with you?

Mr McMahan—I cannot recall.

Senator WONG—You do not recall whether the use of ‘Work Choices’ was discussed?

Mr McMahan—No.

Senator WONG—Can you tell us why ‘Work Choices’ is not in the text of the ad?

Mr McMahon—I do not know.

Senator WONG—You do not know?

Senator CHRIS EVANS—Did you receive an instruction not to use the phrase ‘Work Choices’ in the ad?

Mr McMahon—I cannot recall.

Senator CHRIS EVANS—Surely you can recall whether you received that instruction?

Senator Minchin—He said no. We will take it on notice.

Senator CHRIS EVANS—He did not say no; he said that he cannot recall—which has been a fairly regular refrain.

Mr McMahon—I cannot remember.

Senator CHRIS EVANS—If it was a question of an activity six months ago, I would be more inclined to accept it. But, given that we are talking about 2½ weeks, it is less plausible, Senator Minchin.

Senator Minchin—That is a reflection on the witness.

CHAIR—Mr McMahon has answered the question.

Senator Minchin—He is answering you honestly. Do not question his honesty.

Senator CHRIS EVANS—I am not questioning his honesty.

Senator Minchin—You are.

Senator CHRIS EVANS—I am questioning his recall. I am asking very specifically: was there any instruction issued to you or other officers not to use the term ‘Work Choices’?

Mr McMahon—I cannot remember.

Senator CHRIS EVANS—You cannot remember?

Senator WONG—And you are not able to tell us why ‘Work Choices’ does not appear in the ad, when your unit drafted it?

Mr McMahon—No, I am not able to tell you that.

Senator WONG—Are you aware of any decision not to use the phrase ‘Work Choices’?

Mr McMahon—No.

Senator FAULKNER—Why didn’t the advertisement direct people to the Work Choices website?

Mr McMahon—The website that is mentioned in the advertisement is the workplace website.

Senator FAULKNER—That is right. Why did it not refer people to the Work Choices website?

Mr McMahon—I think that there was a change of name in the website.

Senator FAULKNER—Does it have a hotline number on it?

Mr McMahon—On the advertisement?

Senator FAULKNER—Yes.

Mr McMahon—That is correct.

Senator FAULKNER—Is that the Work Choices hotline?

Mr McMahon—I do not know what hotline it is. It is described in the advertisement as the ‘Workplace Infoline’.

Senator FAULKNER—It sounds to me like a bit of market research has gone into this non-campaign advertising. Of course it has. All the government’s political spin—‘Drop Work Choices’—is not mentioned in the ad, not mentioned in the website and not mentioned in the hotline. It is all cobbled together the day before this massive advertising campaign in every weekend newspaper in the country—

CHAIR—Is that a question, Senator Faulkner?

Senator FAULKNER—Yes: this is not non-campaign advertising at all, is it? This is front and centre campaign advertising—

Senator Minchin—That is just a political assertion.

Senator FAULKNER—promoting the government’s workplace relations policy, because it is has been such a debacle.

CHAIR—Is there a question, Senator Faulkner?

Senator FAULKNER—Yes. That was it.

CHAIR—An official has answered that.

Senator MURRAY—I will follow a similar point. Mr McMahon, Dr Morauta quite properly said when you could not recall that you would need to go back to the records and examine matters. I just want to be assured from you that in terms of due process there is a proper trail where such a trail is warranted, namely file notes, minutes, records of meetings, email correspondence and that sort thing—that there is actually written material that someone like you could go back to if you needed to refresh your memory.

Mr McMahon—I do not know what records are kept in the department on the preparation of this advertisement.

Senator MURRAY—Do you in your own personal capacity for your own responsibilities commit things to writing at times?

Mr McMahon—From time to time I will.

Senator MURRAY—So you have got knowledge of those?

Mr McMahon—I have knowledge of my general practice of from time to time taking a note.

Senator MURRAY—Perhaps I should switch to Dr Morauta, since you referred to going back to records. Is there a paper trail where one would normally be kept? I am not referring, obviously, to conversations and that sort of thing, but file notes, email records, documents and so on with respect to this area.

Dr Morauta—I cannot answer for the specific thing because I have not had a look at this. We took some questions on notice to give us an opportunity to see what we did have on record in case that would help us to answer the questions that have been put to us.

Senator MURRAY—Are you saying there are no paper records?

Dr Morauta—No, I am saying I really have no knowledge of what records are in the department around this, but it seemed to me a wise thing to go and look at that in order to be able to assist the senators with their questions.

Senator MURRAY—Minister, I am asking these questions for a specific purpose because my eyebrows were raised—or eyebrow, in my case—when I saw the comment by Steve Lewis, the chief political correspondent in the *Australian*, today, on page 12. It opens up with this remark:

The Coalition's exorbitant use of taxpayers' money to advertise government propaganda represents a multi-million dollar swindle.

It is the multimillion dollar swindle allegation which raises my eyebrow because that could mean, and it is hypothetical in this sense, that media and community pressure will lift to such an extent that it might result in an independent judicial inquiry into pre-election advertising, which is regarded as a multimillion dollar swindle. The question of records, of course, is important—as it was for the Cole commission.

Senator Minchin—Sorry, what are you saying? That because a journalist in his own op-ed piece describes something in a particular way we have now got to—

Senator MURRAY—I am asking you the question, Minister: if this was regarded as a swindle and there was a future government that conducted an independent royal commission into that—

CHAIR—That is a very hypothetical scenario, Senator Murray.

Senator MURRAY—as you did for the Cole commission, would there be records about it? No, it is not hypothetical. I want to know: will there be written records available of the transactions which have occurred in this case?

Senator Minchin—That is frankly an absurd suggestion. This is government advertising. All governments advertise. This was a proper advertising of a change in policy and proposed change in the law with respect to the introduction of a fairness test for industrial relations, to take effect from 7 May. The government quite properly informed Australians on the weekend prior to that change, which has taken effect from 7 May, of the introduction of that safety net. That is the ad—it is all black-and-white copy. It is a proper information campaign.

Senator WONG—You have not written it yet. The law has not been written.

Senator MURRAY—That may or may not be the case—

Senator Minchin—Really, Senator Murray, you are falling into the trap of this mob.

Senator MURRAY—I am simply saying that that is what this estimates process will expose. Steve Lewis is not some kind of minor journalist somewhere. When he put something in there about a multimillion dollar swindle, I must say it took me by surprise. Does it take you by surprise?

Senator Minchin—It is a ludicrous assertion on his part.

Senator MURRAY—Thank you—that is all I have.

Dr Morauta—I would like to go back to a question we were asked just a minute or two ago. We were asked whether there were any penalties charged for the placement of these adverts on 5th and 6th.

Senator WONG—A premium.

Dr Morauta—A premium or penalties. There were no penalties or premiums charged.

Senator WONG—There is just one tabulation issue I want to raise with you. Did you give me the figure for the total active campaign media placement as at 21 May as \$111.2 million?

Dr Morauta—Yes.

Senator WONG—I wonder if you could just check that. I am advised that it is \$111.3 million—but what is \$100,000 between a few taxpayers, I suppose. Maybe someone can confirm that for me.

Dr Morauta—We would stand to be corrected. We did have two people check the additions, but I can imagine that it might not be right even then.

Senator WONG—Someone else may have to check.

Dr Morauta—If you have added it up and have a different answer, we apologise.

Senator WONG—Can we just go through a couple of these advertisements. We know from the Treasurer's own boasts that the Simpler Super campaign, I think, has a total budget of \$69 million. Is that right, Mr McMahan?

Mr McMahan—The budgeted media cost is \$15.8 million.

Senator WONG—That is for the period to June 2007. Do you have any decision for media placement post the June 2007 period?

Mr McMahan—I think that, as we have indicated in the past, we are not able to provide information about campaigns other than those that are presently in the media.

Senator WONG—Has the MCGC made a decision authorising media placement expenditure additional to the \$15.8 about which you have given evidence?

Mr McMahan—We are not able to provide information about campaigns other than those that are in the media at the moment.

Senator WONG—This one is in the media. I am just asking how much more. Has the ministerial council agreed to a campaign for superannuation in addition to the \$15.8 million that you have given evidence about?

Mr McMahan—No.

Senator WONG—When is the next meeting of the MCGC?

Mr McMahan—I think it is tomorrow.

Senator WONG—Just after the estimates!

Mr McMahan—We hold them on Wednesdays.

Senator WONG—How often do you meet?

Mr McMahan—Of a Wednesday.

Senator WONG—Every week?

Mr McMahan—Yes, usually. I should not say that it is every week, but it usually is. Sometimes it is of a Monday.

Senator WONG—So you say that there is no approved expenditure or approved media placement budget for Simpler Super other than the \$15.8 million. Is that right?

Mr McMahan—That is correct.

Senator WONG—Let us go through these. Are you able to tell me whether the MCGC has determined any media placement budget other than the ones you have given us to date?

Mr McMahan—No, I am not, Senator.

Senator WONG—Why is that?

Mr McMahan—Because, as we have indicated in the past, we are not able to comment on campaigns until they become campaigns.

Senator WONG—I am not asking about the campaign; I am asking about what the ministerial committee, which your unit services, has determined in terms of future expenditure. I am not asking what they might spend; I am asking what they have determined they can spend.

Dr Morauta—The way that this matter has been treated in the past in this committee has been that when the MCGC has agreed a campaign to go live, at that point we describe it to you.

Mr McMahan—Once it goes live we are able to provide information to you. Up until that point, you will appreciate that it may be cancelled at any time.

Senator WONG—So this is what has previously been agreed. I cannot imagine that Senator Faulkner happily agreed to that.

CHAIR—It has been a longstanding practice for this committee to accept that.

Senator WONG—So you are not going to provide any further information, other than—

Senator FAULKNER—I would describe it not as a longstanding practice but a longstanding cover-up.

Senator WONG—I am asking you: other than the workplace relations six-day \$4.1 million spending spree, what other advertising media placement expenditure has been approved for workplace relations, Mr McMahan?

Dr Morauta—Are you asking about the committee?

Senator WONG—Yes.

Dr Morauta—What we have described here is what the committee has approved.

Senator WONG—Has the ministerial council approved any other media placement expenditure on industrial relations advertising?

Mr McMahon—No, Senator.

Senator WONG—Just one tranche, \$4.1 million in six days.

Mr McMahon—There is one week of media activity from 20 May until 26 May.

Senator WONG—Have you booked any other spots, Mr McMahon, in relation to workplace relations?

Mr McMahon—No, Senator.

Senator WONG—Have you arranged any other media placement?

Mr McMahon—In relation to workplace relations?

Senator WONG—Yes.

Mr McMahon—No, not of which I am aware.

Senator WONG—How does the government arrange its media placements? Do you just buy a range of media placements which you then fill up depending on whichever advertising campaign you want to run?

Mr McMahon—No, Senator.

Senator WONG—Perhaps you can take me through that.

Mr McMahon—The process for booking a campaign is that, once it is approved by the committee, master media company for campaign advertising, Universal McCann, then books media spots with relevant outlets depending upon the particular target audience. So it is very much tailored to the individual campaign and the individual audience of that campaign.

Senator WONG—What have those agencies booked in respect of workplace relations?

Mr McMahon—One week from 20 May to 26 May.

Senator WONG—Nothing further.

Mr McMahon—Not that I am aware of.

Senator WONG—Do you deal with them directly, or does the PMO deal with them directly as well?

Mr McMahon—The contract is with PM&C; we deal with them.

Senator WONG—I understand who the contract is with.

Mr McMahon—Our relationship is through the department.

Senator WONG—To your knowledge there is no contact between the Prime Minister's office and the media buy agencies?

Mr McMahon—Not to my knowledge.

Senator WONG—Tell me when the 20 May to 26 May, \$4.1 million advertising expenditure was approved? When was it determined that the government would do that?

Dr Morauta—Is this a question about when the MCGC took a decision on it?

Senator WONG—I would like to know what Mr McMahon can tell me about the process of approval, the timing of approval and the timing of the buy of that campaign.

Mr McMahan—It was 17 May.

Senator WONG—What happened on 17 May?

Mr McMahan—The MCGC approved the creative to final stage of production.

Senator WONG—What does the ‘creative’ stage mean?

Mr McMahan—It means that they approved the advertisements to proceed.

Senator WONG—Are you able to tell us the expenditure on the creative and production components of those advertisements?

Mr McMahan—No, I am not.

Senator WONG—That would be within DEWR.

Mr McMahan—Yes. That is correct.

Senator WONG—Is it the same with market research and PR?

Mr McMahan—I think that would be the case, yes.

Senator WONG—So there is no expenditure out of GCU.

Mr McMahan—No.

Senator CHRIS EVANS—Is that information provided to the committee?

Mr McMahan—A campaign budget is usually provided to the committee. May I just clarify one point that I made earlier. On 17 May the committee approved the creative to the final stage of production. On the previous day, 16 May, the MCGC approved the media plan.

Senator WONG—What was the total expenditure approved in the media plan?

Mr McMahan—The total media cost is \$4.1 million.

Senator WONG—The media plan that was put before the committee involved more expenditure than that, presumably. Did that plan deal with more items of expenditure than the \$4.1 million?

Mr McMahan—No. It is the \$4.1 million. That is the media plan.

Senator CHRIS EVANS—So that includes all the creative costs.

Mr McMahan—No.

Senator WONG—Just the buy.

Mr McMahan—That is right.

Senator CHRIS EVANS—Was there a budget provided for the cost of market research and creative work?

Mr McMahan—That went before the committee? I cannot recall.

Senator CHRIS EVANS—Is it usually provided to the committee?

Mr McMahan—Yes. There is usually an indicative campaign budget which is provided.

Senator CHRIS EVANS—By the originating department?

Mr McMahan—Yes.

Senator CHRIS EVANS—But you cannot remember whether or not on 16 May that proposition included research and creative costs.

Mr McMahon—On 16 May the committee approved the media plan, so they may or may not have had cause to note a campaign budget on that occasion. It was more advanced.

Senator CHRIS EVANS—Were you at the meeting?

Mr McMahon—Yes.

Senator CHRIS EVANS—And you cannot recall whether last Wednesday they approved a budget for the creative component—

Mr McMahon—They do not approve budgets. I said that they were provided with a budget. Departments craft the budgets within their overall communications float.

Senator CHRIS EVANS—So you are not able to help us with whether, at the meeting last Wednesday, you and the other members of the committee were provided with that information.

Mr McMahon—I cannot remember, but I am happy to ask one of my colleagues to check whether or not that was the case.

Senator CHRIS EVANS—And whether you have information as to the global costs that have been budgeted for those items.

Senator WONG—Mr McMahon, the information you have given suggests that the MCGC met on two consecutive days last week to approve these advertisements. Is that right?

Mr McMahon—Yes.

Senator WONG—So they met on the Tuesday and the Wednesday?

Mr McMahon—They met on 16 and 17 May.

Senator WONG—How often do they meet? Are they meeting twice weekly now?

Mr McMahon—From time to time they meet twice a week.

Senator WONG—Minister Hockey and others have described this as the first tranche of advertising on industrial relations. Do I understand from that that there are other tranches which have been considered by the MCGC?

Mr McMahon—None has been approved.

Senator WONG—Have any been considered?

Mr McMahon—I cannot remember.

Senator WONG—You cannot recall. This was less than a week ago, Mr McMahon. If you do not wish to answer it—

Mr McMahon—The approvals process—

Senator WONG—you have some options, but are you telling us that six days ago you cannot recall this being discussed.?

Mr McMahon—The approvals process on 16 and 17 May was in relation to the advertising that was placed on 20 May.

Senator WONG—Yes, I am aware of that. Has the ministerial committee considered any other tranches of advertising?

Dr Morauta—I think what Mr McMahon is referring to, Senator—and you are right to tease this out a bit—is that, in this committee, we have always given evidence about campaigns that are running at the time. We have not entered into discussion with the committee about anything else.

Senator WONG—Yes, I have had that lecture already, Dr Morauta. So is the MCGC going to meet each week to approve yet another week's worth of IR advertising, Mr McMahon?

Senator Minchin—That is hypothetical.

Senator WONG—You tell us, Minister. Your colleagues are out there saying it is the first tranche. You spent \$4.1 million in six days. Tell us: how much more are you going to spend?

Senator Minchin—The Prime Minister has said that no decisions have been made on any further advertising.

Senator WONG—So is it a blank cheque; it is open-ended?

Senator Minchin—You are just playing politics. The Prime Minister has already said that no decision has been made on any further advertising on this.

Senator CHRIS EVANS—So is Mr Hockey wrong when he says it is only the first tranche?

Senator Minchin—It may be the last. He was not inaccurate to say it was the first tranche; it may be the only tranche. No decision has been made on any other advertising.

Senator CHRIS EVANS—So it is the first of one tranches. That is almost as good as the non-campaign campaign.

CHAIR—The question has been answered, Senator Evans.

Senator CHRIS EVANS—It has not but anyway.

Senator FAULKNER—Of course, it has not been answered.

Senator CHRIS EVANS—Goebbels will be proud of this.

Senator FAULKNER—He is just treating the parliament and the public with contempt—it is what this government is so expert at.

Senator WONG—When was the simpler super campaign before the MCGC?

Mr McMahon—I wonder if I might return to that to give you the most recent information.

Senator WONG—Sure. Perhaps we can go back to non-campaign advertising. I understand—the internet is a wonderful thing, isn't it—there is a definition of non-campaign advertising on your website, Mr McMahon. It says:

Non-campaign press advertising is generally limited to:

- staff recruitment
- public notices
- auction and Tender notices

- invitations to make submissions or apply for grants, and
- notification of date and/or location specific information—

such as notification of a public meeting. It is:

... simple, no-frills advertising that generally appears only once or twice and contains factual statements not intended to promote or advise on policies or programmes of the government.

Does that accord—I can wait for someone to bring that to you if you want—with your recollection of the definition that is on your own website, Mr McMahan?

Mr McMahan—That sounds about right.

Senator WONG—Can you explain to me how an advertisement that calls itself ‘A stronger safety net for working Australians’, that discusses a fairness test, which is a policy change but not a legislative change, and raises the issue:

It was never the ... intention that it should become the norm for penalty rates or other ... conditions to be traded off without proper compensation.

falls within the definition of non-campaign advertising—that is:

... not intended to promote or advise on policies or programmes of the government.

Mr McMahan—Non-campaign advertising will ordinarily include the sphere of activities to which you have referred—for example, recruitment advertisements, tender notices, calls for expression of interest and those sorts of matters—but non-campaign arrangements may be used to facilitate the placement of factual advertisements.

Senator WONG—Where is that written, Mr McMahan? What I have just read out to you is off your own website. It is the definition of non-campaign advertising. You are now telling me, ‘Yes, that is generally it, but it covers all these other bits,’ which apparently include a page advertising industrial relations changes in every daily newspaper at short notice. Where is the ‘bit’ of the guidelines that you say the 5 and 6 May advertisements fall within?

Mr McMahan—The description on the website is what is generally the case.

Senator WONG—Where is the bit that you say enables the government to misuse this non-campaign advertising expenditure for the purposes of these industrial relations acts?

Senator Minchin—Loaded question.

Senator WONG—Where is the part of the guidelines which enables the government to use non-campaign advertising expenditure to advertise their workplace relations changes?

Dr Morauta—I do not think there is money allocated for non-campaign expenditure as a bucket like that. It is a method of placement in the newspaper system. Basically, non-campaign advertising is a way that things are placed in the paper centrally.

Senator WONG—I understood you gave us figures previously about non-campaign advertising budgets. There is money allocated to non-campaign advertising, is there not?

Mr McMahan—No, Senator. There is not money allocated for non-campaign—

Senator WONG—There is no budget.

Mr McMahan—There is no budget. The figures that I gave you before were the expenditure to 31 March.

Senator WONG—The guidelines on your website go on to say:

Non-campaign advertisements may appear in a classified section of a newspaper or as (usually) small-space display advertisements in general news pages.

They go on to say they:

... are generally all type with no illustration other than a logo or a basic line drawing.

Can you tell me how the full-page ads with the photos of employees fall within these guidelines?

Mr McMahan—As the guidelines indicate, that is generally the case. They will generally be placed in the classified or the public notices sections. There are exceptions to that.

Senator WONG—Where are the guidelines which outline what the exceptions are or is it just exceptions in terms of what actually happens as opposed to exceptions that are explored in the guidelines?

Mr McMahan—I think, as the guidelines indicate, the general placement of advertising which goes to tenders or recruitment notices falls within the general ambit of non-campaign advertising but there may be exceptions to that in relation to factual advertising.

Senator WONG—You keep saying there may be. I am trying to see where this ‘may be’ is. Where is the space in your own guidelines for this sort of advertising?

Dr Morauta—I am not familiar with the thing you are looking at, Senator. Are they guidelines? What is the heading for it?

Senator WONG—It is off your website.

Dr Morauta—I am sorry, I am not familiar with it. I am just asking.

Senator WONG—That is fine.

Senator Minchin—It is a general description.

Senator WONG—It is at gcu.gov.au/code/cas/index.html. Perhaps I could check this with you, Mr McMahan. I think Senator Faulkner asked you something similar, but do you recall non-campaign advertising being used for full-page ads previously?

Mr McMahan—I cannot recall.

Senator WONG—How long have you worked at GCU?

Mr McMahan—I commenced in August 2006.

Senator WONG—What about pilot advertisements? Are they signed off on also by MCGC? I am talking about test ads. Before you run a campaign, you might have a test ad.

Mr McMahan—Advertising concepts will generally go before the committee.

Senator WONG—So were pilot advertisements produced for the industrial relations advertisements?

Dr Morauta—Are you talking about the campaign?

Senator WONG—I am talking about the \$4.1 million.

Mr McMahan—Yes.

Senator WONG—Who produced them?

Mr McMahon—The advertising agency contracted for the workplace relations campaign is Whybin TBWA.

Senator WONG—Is the contract with the GCU or DEWR?

Mr McMahon—DEWR.

Senator WONG—Are you going to give me the expenditure in relation to the pilot advertisements or are you going to direct me to DEWR?

Mr McMahon—I am going to direct you to DEWR. I do not know.

Senator WONG—I am very good at taking direction, as you can imagine. Were the pilot advertisements played for the MCGC?

Mr McMahon—Yes.

Senator WONG—When did that occur?

Mr McMahon—I do not have that information to hand. Certainly the two meetings which I referred to previously were on 16 and 17 May.

Senator WONG—Was it before that?

Mr McMahon—I do not have that information.

Senator WONG—I am sure you are going to be here after lunch, so I would appreciate it if we could come back to that. We are also going to come back to superannuation and the involvement of the Prime Minister's office in the preparation of the advertisements—the non-campaign advertisements. Were the pilot advertisements tested utilising focus groups?

Mr McMahon—I think that question is best addressed to the Department of Employment and Workplace Relations.

Senator WONG—I am asking you too.

Mr McMahon—My answer is: I think that question is best directed to the Department of Employment and Workplace Relations.

Senator WONG—Did the submission to the MCGC for the approval of these ads include results from focus group testing?

Mr McMahon—It included a report.

Senator WONG—From whom?

Mr McMahon—From the market research firm contracted for the campaign: Open Mind Research Group.

Senator CHRIS EVANS—There have been some classics today.

Senator Minchin—Why are you mocking a commercial market research firm?

Senator CHRIS EVANS—I just thought it was a great name.

Senator Minchin—That is not appropriate.

Senator CHRIS EVANS—So it is a non-campaign campaign.

Senator Minchin—It is a commercial market research company. I do not think you should make fun of it.

Senator CHRIS EVANS—I just find it an amusing name.

Senator FAULKNER—We are only allowed to mock Senator Minchin.

Senator Minchin—That is right.

Senator WONG—That report was funded by whom? Was that a contract with DEWR, GCU or PM&C?

Mr McMahon—With DEWR.

Senator WONG—And that report extended to the reaction of focus groups?

Mr McMahon—I think that question would be best referred to the Department of Employment and Workplace Relations.

Senator WONG—What was the nature of the report that went before the MCGC? This is the already approved expenditure.

Mr McMahon—It was a market research report.

Senator WONG—What did it extend to?

Dr Morauta—I think these are all inputs to the policy process, Senator.

Senator WONG—Public money was spent on this report. It was then relied on for the purpose of consideration of spending more public money. I am simply asking what the report extended to.

Dr Morauta—Is that relevant to the—

Senator Minchin—What do you mean by ‘what did it extend to’?

Senator WONG—What did it cover?

Dr Morauta—I am not sure how much detail we can go into on the input to government decision-making on these matters.

Senator WONG—What did it cover? Did it cover focus group testing of the industrial relations ad? Did it cover how Work Choices was being responded to by these focus groups?

Senator Minchin—It is an internal government working document.

Senator WONG—You do not want any of this out in the public, do you, Senator Minchin?

Senator Minchin—The research report was commissioned by DEWR for the purposes of advertising this policy, and I think you should pursue that with DEWR.

Senator WONG—Actually, Minister, the Prime Minister’s department, through the GCU, relied on this, and your colleagues relied on this, for the purposes of determining what ads they would impose on the Australian people over the period 20 May to 26 May.

Senator Minchin—The research was commissioned by DEWR. Pursue with them your questions about—

Senator WONG—Did you read the report, Mr McMahon?

Dr Morauta—I still feel like we are getting down to the nitty-gritty of policy advising here, Senator.

Senator WONG—I do not think I asked him what his advice was. I understand that people are getting very nervous about this. You do not like the fact that you tested focus groups—

CHAIR—Dr Morauta, do you think that this goes close to being advice to government?

Senator Minchin—All responsible government advertising at state or federal level by Liberal or Labor should be backed up by proper research to make sure that taxpayers' dollars are properly spent. Of course there was market research—there always is—but we are not going into the detail of that research.

Senator WONG—So, Senator Minchin, you think \$4.1 million in six days is well spent, do you? Do you think that is an appropriate and sensible expenditure of taxpayers' dollars?

Senator Minchin—Yes.

Senator WONG—You are the minister for finance.

Senator Minchin—Yes.

Senator WONG—This is excellent expenditure, is it?

Senator Minchin—Yes, absolutely. It is much more responsible than what state Labor governments do—putting their own premiers in taxpayer funded ads.

Senator WONG—Let us compare.

Senator Minchin—You have not seen John Howard in government ads. I see Mike Rann in state Labor government ads in South Australia. So do not lecture us about government advertising.

Senator WONG—You have \$4.1 million dollars in six days.

Senator Minchin—The hypocrisy of you lot!

Senator FIERRAVANTI-WELLS—And there were the ads with Premier Iemma in New South Wales.

Senator Minchin—What the state Labor governments get up to is an outrage.

Senator FIERRAVANTI-WELLS—Absolutely!

Senator WONG—They are minnows compared to the lord of the ads.

Senator Minchin—I am not going to be lectured by you. You can ask your factual questions, but don't start lecturing us.

Senator CHRIS EVANS—The factual question asked of the officer was whether he had read the report.

Senator FAULKNER—I think you are getting a bit ragged there, Nick.

Senator Minchin—We are not going into the details of those internal documents.

Senator WONG—Actually, I just asked if he had read the report.

Senator Minchin—It is a DEWR document, and you can pursue DEWR.

Senator FAULKNER—Don't lose your cool! We know you are under pressure.

Senator Wong—When was the research commissioned?

Senator Minchin—Hypocrisy always makes me angry, Senator Faulkner.

Senator FAULKNER—You have lost your cool. It is not like you. It is never a pleasure to see you under pressure like that. I always like the relaxed Senator Minchin.

CHAIR—Senator Wong has asked a question.

Senator WONG—When was the research commissioned?

Mr McMahon—The Open Mind Research Group was selected by the committee on 3 April.

Senator WONG—So it was actually the ministerial committee that selected Open Mind?

Mr McMahon—That is correct.

Senator WONG—But DEWR funded it?

Mr McMahon—That is correct.

Senator WONG—Is that the normal process?

Mr McMahon—Yes.

Senator WONG—What was the value of the contract with Open Mind?

Mr McMahon—I do not know, Senator. You would have to ask that question of DEWR.

Senator WONG—The committee approved it.

Mr McMahon—No, they selected Open Mind. They do not approve a contract or a budget.

Senator Minchin—They authorised DEWR to enter into a contract with the research company.

Senator CHRIS EVANS—While Senator Wong is gathering her thoughts, I would like to ask a question. I do not know whether we got this figure earlier. Mr McMahon, did you give us a figure for your anticipated total spend for 2006-07?

Mr McMahon—On what, Senator?

Senator CHRIS EVANS—On campaign and non-campaign advertising.

Dr Morauta—We do not do anticipatory expenditure.

Senator WONG—There is a lot that you do not do here, Dr Morauta, isn't there?

Dr Morauta—Sorry?

Senator WONG—There is a lot that you do not do in terms of providing information about the budget.

Senator Minchin—Oh, come on!

Dr Morauta—We do not speculate on what we choose to do in the future.

Senator CHRIS EVANS—So you do not know even now what you are going to spend or what you have budgeted for up until the end of June?

Dr Morauta—I have said already that we—

Senator CHRIS EVANS—It is 22 May. You might have another campaign between 22 May and the end of June?

Senator Minchin—We have a figure for the year to 31 March but not for what is—

Senator CHRIS EVANS—So what is the figure to 31 March?

Mr McMahan—For the financial year to 31 March 2007 the total advertising expenditure through the central advertising system is \$116.1 million, which comprises \$81.8 million in campaign advertising and \$34.3 million in non-campaign advertising.

Senator WONG—That is to 31 March?

Mr McMahan—Yes, that is correct.

Senator CHRIS EVANS—You do not have any estimates of what you are likely to spend in the last quarter?

Mr McMahan—No.

Senator CHRIS EVANS—You have told us what the budgets are for those active campaigns—

Mr McMahan—Yes. They are the approved budgets.

Senator CHRIS EVANS—so you have an idea of how much you are going to spend on those. The only other variable is whether the government comes up with another campaign that it requires to advertise between 22 May and 30 June. It seems to me that you would have a pretty good idea what the budget for the year is going to be. Do you have a budget for this, by the way?

Mr McMahan—No.

Senator CHRIS EVANS—So there is no budget and you have no estimate of how much of taxpayers' money you will spend by the end of June, even though we are late into May?

Mr McMahan—No.

Senator CHRIS EVANS—When will you know?

Senator Minchin—The end of June.

Senator CHRIS EVANS—When the time has run out for the government to initiate another campaign? I think the major—

Senator Minchin—Once the financial year is complete. All we can give you is to 31 March.

Senator FAULKNER—They will keep abusing taxpayers' dollars right through until the issue of the writs.

CHAIR—Do you have a question, Senator?

Senator FAULKNER—I am just making a statement that the government will keep abusing taxpayers' money on advertising until the issue of the writs.

CHAIR—Senator Evans, do you have a question?

Senator FAULKNER—It was not a question.

Senator CHRIS EVANS—Mr McMahon, has the question about whether or not there will be any advertising space left for you to run any other campaigns been raised with you by media organisations?

Mr McMahon—With me?

Senator CHRIS EVANS—With the organisation. There is a limit to how much time you can buy and there is a limit—I think they call them TARPS—as to the penetration rate. Have you received advice about that? I watched the news last night and there were three government ads in a row in the advertising break. I think they run a maximum of four, so at some stage you have to—

Senator FAULKNER—They really dropped the ball there. There should have been four in a row.

Senator FIERRAVANTI-WELLS—Why don't you ask the New South Wales government? They will give you an answer. They ran them back-to-back.

CHAIR—Senator Evans, what was your question?

Senator CHRIS EVANS—My question was: can you give any advice to the committee as to what is the maximum possible purchase and whether or not you will be able to fit other campaigns in? It is advice about what capacity there is to absorb placements in the next three months. Have you had any advice from your media buyers on that?

Dr Morauta—I think the question is dealt with when particular matters are being considered—what the opportunities are and what the available options are.

Mr McMahon—Yes, that is right. They are placed on a campaign-by-campaign basis, as I explained earlier.

Senator CHRIS EVANS—Yes, but the whole point of you having a central control is that you can balance the campaigns, get the economies of scale et cetera. If you have bought placement of the super ads in every break in prime time on TV and you have bought an ad for the private health insurance campaign in every ad break—spending \$4 million in a week is quite an effort—surely there must be a point at which the only thing left in which you could buy any space would be the infomercial programs between three and four in the morning.

CHAIR—I am losing your questions in your statements, Senator Evans.

Senator CHRIS EVANS—The question is: when is it enough or so much that you cannot get any more?

Senator Minchin—I do not think the official can answer that question. What he has told you is that in respect of the consideration of each campaign there is discussion with relevant experts about what commercial opportunities are available, and that depends on whether Coles or Telstra or somebody else is running a big campaign at that time and how proposed

government advertising will fit into the general market available. But that would be campaign by campaign and would be affected by what other commercial advertisers are doing.

Senator FAULKNER—Surely you must have just about reached saturation point on workplace relations? We are talking about \$28,472 per hour—\$475 per minute—of taxpayers' money on the workplace relations partisan promotion for the government over the next few days.

Senator Minchin—I am pleased to know you know how to use a calculator. That is terrific.

Senator FAULKNER—Get a calculator and see what sort of an abuse and a waste of taxpayers' money this is.

CHAIR—I think Senator Faulkner is making a statement rather than asking a question so at this point we will break for lunch and resume at 1.30 with the Department of Prime Minister and Cabinet continuing output group 4.

Proceedings suspended from 12.30 pm to 1.31 pm

CHAIR—We will recommence with the Department of the Prime Minister and Cabinet output group 4.

Senator Minchin—Officials associated with output group 3 of national policy advice will be absent from four o'clock to approximately six o'clock today.

CHAIR—That is the Office of—

Senator Minchin—ONA.

CHAIR—Yes, we are aware of that.

Dr Morauta—But also the PM&C people.

CHAIR—Output group 3 people will also be away as well as the Office of National Assessment. If we get quickly through the program we will call on the Australian National Audit Office before then.

Senator WONG—I remind you of the matters before the break and I asked if we could come back to them. I do not know, Dr Morauta, if the department is in a position to answer them yet or whether you want more time.

Dr Morauta—Work is underway, but we do not have anything for you right now.

Senator WONG—Mr McMahon, I did have one question about market research: has the MCGC approved any market research towards advertising, like the attitude of Australian taxpayers to government advertising?

Mr McMahon—No, not of which I am aware.

Senator FAULKNER—Are you now in a position to answer my question on estimates preparation?

Dr Morauta—No, we are just looking for one extra piece of information, which we do not have to hand. We have some of the answer but not the whole answer, so we are active on it. I know where it is up to, but it is not ready yet.

Senator WONG—Prior to the lunchbreak we were discussing the submission in relation to the latest round of industrial relations advertising, Mr McMahon. Are you able to tell us when that submission was first dealt with by the MCGC?

Dr Morauta—Sorry, what was the submission? Are we talking about—

Senator WONG—In the evidence before lunch—and I am not sure what word you would like me to use Dr Morauta—in order to approve the advertising, I understand certain documentation went forward to the MCGC. Mr McMahon has confirmed that included a market research report, and I am endeavouring to find out what else went before the MCGC in the context of that discussion.

Mr McMahon—Yes. The MCGC considered the workplace reform communications project on six occasions: on 3 April 2007, on 7 May 2007, on 9 May 2007, on 14 May 2007, on 16 May 2007 and on 17 May 2007.

Senator WONG—What was before the committee in those meetings?

Dr Morauta—I think we are talking about the normal range of papers that ascribe that.

Senator WONG—I want to know what the normal range of papers comprised in this context.

Dr Morauta—I am a bit inclined to think that we probably are not going to the detail of the materials before the committee. The committee is leading up to a policy decision. We have told you the result of that policy decision. There is a decision that a \$4.1 million campaign occurred and there are details of the processes going up to that. DEWR can provide you with the expenditure, and we can tell you which companies were involved.

Senator WONG—All right, tell us then. So these are reports from companies that you will tell me are before the committee on the six occasions?

Mr McMahon—I can tell you the dates on which the committee selected communications organisations by the committee. Whybin TBWA was selected by the committee on 9 May; the market research firm Open Mind Research Group was selected by the committee on 3 April; and a public relations company Gavin Anderson & Company were selected by the committee on 9 May 2007.

Senator WONG—Any others?

Mr McMahon—No.

Senator WONG—Let's go back: so the committee gets a brief. What is the process? It gets various documents, it gets a brief, it gets a submission; how does it work?

Mr McMahon—The general process of the committee is that it receives communications briefs and it will approve a communications brief as a basis upon which to seek pitches from communications organisations.

Senator WONG—Who prepares the brief?

Mr McMahon—The home department, the responsible department.

Senator WONG—So DEWR prepared the brief for the workplace. What did you call it—reform project?

Mr McMahon—Workplace relations communications project.

Senator WONG—Sorry, I thought you used the word ‘reform’ as well. Workplace relations communications project.

Mr McMahon—Yes.

Senator WONG—No ‘reform’.

Mr McMahon—No.

Senator WONG—And did PM&C have any involvement in the preparation of the brief?

Mr McMahon—We comment on communications briefs.

Senator WONG—Was comment sought from the Prime Minister’s office?

Dr Morauta—I think we have given evidence that Tony Nutt is a member of the committee. He would obviously be engaged in the process.

Senator WONG—Apart from Mr Nutt’s comments as a member of the committee that makes the decision to spend this money, was there comment sought from the Prime Minister’s office on the communications brief from DEWR?

Mr McMahon—I do not believe so.

Senator WONG—Was the brief informed by qualitative research?

Dr Morauta—I think we have given evidence that there was a series of pieces of work commissioned.

Senator WONG—I would like to know what the series of pieces of work are.

Dr Morauta—The ones that we have told you about.

Senator WONG—What was the work that Whybin has been commissioned to do—sorry, I am going down the wrong track here? Dr Morauta, you have told us that there is work commissioned by these three agencies; I am asking whether or not there was qualitative research in the brief that was put before the committee.

Dr Morauta—And I am saying that that kind of detail is one that I think I am not comfortable giving to you, Senator, because I feel that this is just part of the internal workings of a process, the product of which we have made public to you.

Senator WONG—So you do not think it is reasonable for taxpayers to know what sort of focus group testing was considered by the government before it spent their money?

Dr Morauta—That is my view.

Senator WONG—That is your view: it is not reasonable for taxpayers to know that.

Dr Morauta—No, it is not reasonable to know the detail of the content of what they provided.

CHAIR—Dr Morauta, the Senator goes to advice to the government.

Senator WONG—I think she has been around long enough; she can probably come up with that herself, chair.

Senator FAULKNER—Are you happy for those words to be put into your mouth, Dr Morauta?

Senator Minchin—You have been putting words in her mouth.

CHAIR—I am just endeavouring to establish—

Senator WONG—Very even-handed from the chair there.

CHAIR—I am just endeavouring to establish Dr Morauta's reasoning here.

Senator FAULKNER—Quit while you are behind.

Senator WONG—So I am clear: you are refusing to tell us what market research, qualitative research, focus group testing, was before the ministerial committee when it determined to spend at least \$4 million of taxpayer dollars in six days?

Dr Morauta—Yes, we are advising you of which companies were involved in providing advice to that committee, but I am not going to the detail of that advice.

Senator WONG—I am not asking for the detail; I am asking whether it included qualitative research. I am not asking whether the research showed that Work Choices was a brand name that had been damaged. I think that we can all work that out from the press commentary.

Senator Minchin—The evidence is that it was market research.

Senator WONG—Is there evidence that there was market research before the committee?

Senator Minchin—You have been told that Open Mind is a market research company.

Senator WONG—So when did Open Mind, which was contracted on 3 April, provide their report to the committee?

Dr Morauta—Probably the detail of when they provided their report—

Senator WONG—When was it before the committee after the committee signed off on it?

Dr Morauta—When it went before the committee? I am not sure that we have that here—no, I am sorry. They certainly would have received a report before coming to a conclusion.

Senator WONG—Has there been any campaign expenditure authorised over and above the \$4.1 million?

Mr McMahan—No.

Senator WONG—Who is monitoring the campaign, like testing it?

Mr McMahan—The market research firm contracted for the campaign is Open Mind Research.

Senator WONG—Open Mind.

Mr McMahan—But I do not know what activity they are undertaking. As I said earlier, I think that is probably a question best directed to DEWR.

Senator WONG—Can you tell us when the decision was made that a new communication project would need to be commenced in this area?

Dr Morauta—Can we have the detail of the question again?

Senator WONG—When was the decision made that a new round of advertising or a new campaign in relation to workplace relations was required?

Senator Minchin—You are asking when the MCGC approved the campaign?

Senator WONG—No: when was it decided that a new campaign was required?

Senator Minchin—That is not in the MCGC's ambit; this is a DEWR campaign. The authority lies with DEWR.

Senator WONG—So it was prior to 3 April presumably.

Senator Minchin—It was prior to it coming to the MCGC.

Senator WONG—I just want to make sure we have that understood. Is it the evidence of the government or this department that the decision for a second round of a campaign was made prior to 3 April 2007?

Senator Minchin—No, I cannot say that.

Dr Morauta—I think at the time of additional estimates the government anticipated work relating to the Office of Workplace Services and the Office of the Employment Advocate. I think it is my understanding—and I will let Mr McMahon assist me here—that it was work relating to those matters that would have been considered on 3 April.

Senator WONG—The Office of the Employment Advocate and the Office of Workplace Services.

Dr Morauta—Yes.

Senator WONG—Can you confirm that, Mr McMahon?

Mr McMahon—Dr Morauta is correct. There were two streams of activity provided for this. AEs provided \$20.5 million over four years from 2006-07 for a communications campaign about the respective functions of the Office of Workplace Services and Office of the Employment Advocate.

Senator WONG—Who was provided with that?

Dr Morauta—DEWR and—

Mr McMahon—The employment and workplace relations portfolio. Those two offices are independent statutory offices within the portfolio, I understand.

Senator WONG—And the \$20.5 million for that period is for what?

Mr McMahon—For a campaign to provide information about the functions of the respective offices.

Dr Morauta—But it would have related to the spend on market research and everything as well; that is what they have the money in the portfolios for.

Senator WONG—And then what?

Dr Morauta—In the portfolios. When they get money for a campaign, it is not just the media spend that we talk about but also the other parts that we have been discussing today. My understanding is that that was what was discussed on 3 April; they were working through that. And then, subsequent to that, the government made an announcement about policy in

relation to the fairness test and protections under the Workplace Relations Act, and that would have informed later discussions of the MCGC.

Senator WONG—Can you tell me what is the total approved amount within the DEWR portfolio? There is \$20.5 million for OWS and OEA. Can you tell me about the other expenditure approved for DEWR in relation to campaigns.

Dr Morauta—Sorry? We were having a discussion about what was going on on 3 April.

Senator WONG—Yes, and you have given me advice, for which I am very grateful, that \$20.5 million was approved. Was that by MCGC?

Mr McMahan—Just to clarify, if I may assist. On 3 April, the MCGC selected Open Mind as the market research for the workplace relations campaign.

Senator WONG—That was not the question I asked.

Mr McMahan—I am just clarifying an earlier piece of evidence that we gave.

Senator WONG—As opposed to another campaign. What is the point you are making?

Mr McMahan—We said a moment ago that on 3 April the MCGC considered an issue in relation to the Office of Workplace Services and Office of the Employment Advocate. That was in relation to the workplace relations campaign. I just wanted to be accurate.

Senator WONG—Okay. What is the \$20.5 million?

Dr Morauta—That was funding provided in the additional estimates in 2006-07 to the DEWR portfolio.

Senator WONG—For?

Dr Morauta—For an advertising campaign for the Office of Workplace Services and the Office of the Employment Advocate.

Senator WONG—How much was approved for advertising for the rest of the DEWR portfolio?

Dr Morauta—I do not have that here.

Senator WONG—What, you've only got OEA and OWS? How does that work?

Dr Morauta—No, I just had that piece of information before me to travel through the different tasks that were undertaken.

Senator WONG—I think you might have answered this, but it slipped my mind. When were the ads for the week of the 20th booked, those six days?

Mr McMahan—Can you repeat that?

Senator WONG—The ads which are currently screening, from 20 May to 26 May—when were they placed?

Dr Morauta—Meaning when were they put out for press?

Senator WONG—No, when did you undertake the media buy; when did you purchase the places?

Mr McMahan—I am sorry; I am not clear on your question.

Senator WONG—There are ads currently screening on Australian television. They started on 20 May and you have told us that they are going to cost \$4.1 million for six days. I am asking: when were they purchased?

Mr McMahon—I do not know when they were purchased.

Senator WONG—Doesn't the GCU—

Mr McMahon—They were not purchased by us.

Senator WONG—They were not purchased by you?

Mr McMahon—No, they were purchased by the campaign company that is contracted to the government.

Senator WONG—And the contract is with you?

Mr McMahon—Yes, that is correct.

Senator WONG—Are you not able to tell me when they were purchased?

Mr McMahon—I do not know.

Senator WONG—When did you instruct them to purchase them? Really, Mr McMahon.

Mr McMahon—Well, that was the point that I was trying to clarify.

Senator WONG—Very helpful, isn't it! When were they purchased? 'I do not know.' Now I have to ask you: when did you tell them to buy them?

Senator Minchin—It is a different question.

Mr McMahon—Can I take that on notice. It is not as easy it sounds because we do not have information as to when the company started.

Senator WONG—No. You just told me you did not know that. I am asking when you instructed them to purchase ad placements.

Mr McMahon—On 14 May.

Senator WONG—What was the instruction? How many ads for how long?

Mr McMahon—I do not have that level of detail.

Senator WONG—You cannot tell us how many ads or what your direction to the company was?

Mr McMahon—I can tell you the individual media components.

Senator WONG—What was your direction to the company?

Mr McMahon—That the media plan was approved.

Senator WONG—And the media plan extends beyond 20 to 26 May?

Mr McMahon—That is correct; that is my understanding.

Dr Morauta—She is asking: does it go beyond the 20th to the 26th?

Senator WONG—To be fair to you, I will reiterate the question. Does the media plan to which you are referring go beyond 20 to 26 May?

Dr Morauta—Time wise, no.

Mr McMahan—I do not know that it does. I do not know.

Senator WONG—Can you find the media plan?

Mr McMahan—We do not have it here.

Senator WONG—Are there advertisements—

Mr McMahan—There is one week of media from 20 to 26 May.

Senator WONG—In the context of the GCU, have you instructed television ads to be booked next week for the Commonwealth government?

Dr Morauta—For workplace relations?

Senator WONG—For any campaign. Have there been any instructions from GCU to any media buyer for the purchase of television ads from next week for the Commonwealth government?

Dr Morauta—I think we have given you some evidence on the number of campaigns that are running.

Senator WONG—I am asking a very specific question, Dr Morauta. I am not asking about which campaign. I am asking: has there been instruction issued to purchase advertisements for next week?

Senator Minchin—But it is a trick question because the clear inference is that it is going to be used for IR. So that is why it is proper for the officials—

Senator WONG—No, it is not—

Senator Minchin—Of course it is.

Senator WONG—it is a proper question. It is not a trick question.

Senator Minchin—So the officials are proper in taking their time in contemplating your question.

Senator WONG—He can contemplate it; it is a very simple question.

Mr McMahan—The answer is yes, because the campaigns that are detailed at the outset, those that are active, will be running next week.

Senator WONG—So there are advertisements booked next week for the Commonwealth government?

Senator Minchin—For campaigns other than workplace relations.

Senator WONG—I did not even ask which campaign as yet, Minister.

Senator Minchin—Yes, but we know where you are going.

Senator WONG—You are very sensitive about this workplace relations campaign, aren't you?

Senator FAULKNER—Of course he is.

Senator Minchin—I am always sensitive to your ridiculous attacks—

Senator WONG—My ridiculous attacks?

Senator Minchin—Your hypocritical attacks on government information campaigns and your desire to entrap officials.

Senator CHRIS EVANS—In many years, I have never found Dr Morauta trapped yet.

Senator Minchin—No, she is very good.

CHAIR—Senator Wong.

Senator WONG—How many ads have been purchased for next week? What is the scale of the media buy?

Mr McMahan—I do not have that detail. The evidence that I gave earlier about active campaigns, many of which extend into June—they may have an element for next week. I do not know.

Senator FAULKNER—But there certainly could not be any campaign that was not on the list of 18 that was provided earlier today. That would be my understanding, but I would like you to just confirm that for me.

Dr Morauta—Correct, yes.

Mr McMahan—Not as of today's date; that is correct.

Senator FAULKNER—But what Senator Wong's questioning related to the possibility of bookings next week, as I understood it—as I heard Senator Wong's questions. You are making the point, which I appreciate and accept, that a range of these campaigns are ongoing; that is understood.

Mr McMahan—Yes.

Senator FAULKNER—So there could not be a campaign other than those that were identified earlier today as the 18 with media placements next week, could there? It would have to be one of those 18?

Mr McMahan—Senator, would you mind if I confer with a colleague just for one moment?

Senator FAULKNER—Sure.

Mr McMahan—That is correct.

Senator WONG—So it is your evidence that the ads bought next week would have to relate to one of the 18 active campaigns, comprising \$113 million, that you gave evidence about today?

Senator Minchin—There are 17, actually.

Senator WONG—One hundred and eleven million dollars, plus you have got your completed ones, around 15.

Senator Minchin—It would be fewer than 18 because some of these are already—

Senator WONG—I think your official's evidence is it was \$111.2 million.

Senator Minchin—No, we just said that it does not relate to workplace relations, so it is the other 17.

Senator WONG—Do you want me to rephrase it?

Senator FAULKNER—So you are saying to this committee it does not relate to workplace relations. I did not hear an official say that.

Dr Morauta—No, you asked us whether we had purchased any media for workplace relations for next week and the answer is no.

Senator FAULKNER—That is right, yes.

Senator Minchin—So the media booked for next week relates to the other 17, or some of the 17.

Senator FAULKNER—That is not right either. Isn't it possible that something has been purchased that has not been identified for any campaign?

Dr Morauta—No. The list we gave you is what has been approved by MCGC, and that is a complete list.

Senator WONG—Dr Morauta, I want you to be very clear about what your answer is on this. Have there been advertisements booked for next week purchased by the Commonwealth government which are generic—that is, where the campaign that will use the advertising space has not yet been identified?

Dr Morauta—No, we do not buy blanket advertising space.

Mr McMahan—We do not buy blanket space.

Senator WONG—So there are no ads booked for which the campaign has not been identified?

Dr Morauta—I think we gave evidence before that we do not book space sort of generically and then fill it up. We go and purchase it for a purpose.

Senator FAULKNER—So it is always tagged, if you like, or identified for a particular campaign? That is the evidence.

Senator WONG—Is that the evidence, Mr McMahan?

Mr McMahan—There are no campaigns which will commence this week for which approval has been given.

Senator WONG—No, that was not the question. Senator Faulkner's question, and he put it far better than I, was: is it the case that when you book advertising space it is essentially tagged—that is, tagged for a campaign?

Mr McMahan—Yes, that is correct.

Senator FAULKNER—The terminology 'tagged' or 'identified' was mine, but I think we understand what we mean by that.

Mr McMahan—No, that is correct.

Senator FAULKNER—But, when space is booked, it is booked for an identified advertising campaign identified for a particular placement. That was the thrust of what Dr Morauta, I think, informed us, and you can confirm that.

Mr McMahan—Yes.

Senator FAULKNER—Therefore, two things arise from that, the first being that, if space were booked—do not pull me up here because it is a hypothetical question, Senator Minchin; I think it will make sense at the end—for a further tranche, if you like, of the workplace relations ads, it would be identified as such and you would know it as such.

Mr McMahan—If space had been booked.

Senator FAULKNER—If that were the case.

Mr McMahan—That is correct, yes.

Senator FAULKNER—However, because you have been quite absolute in your answers to Senator Wong's previous questions, we can now confirm that there will not be, at least for the next week, a further tranche of the workplace relations advertising. That is the second element that comes from your answer. You can confirm that?

Mr McMahan—Senator, I can confirm as of today's date that there are not plans to conduct—if is not approved activity.

Senator FAULKNER—So therefore what might happen, of course, is that, some time between when these officials leave the table, or after this area of questioning is concluded, and the end of the week, a decision may well be made by the GCMC for a further tranche of advertising. If that is the case, I think—because that is really what the official is saying, Senator Minchin, and this is directed to you—this may mean that you have misled the committee in the evidence you have given. You see, what Mr McMahan is doing is leaving the door open for a decision to be made in relation to this between now and the time advertising starts. Take for example the non—

Senator Minchin—That is quite—

Senator FAULKNER—Well, it is the case.

Senator Minchin—No. No—

Senator FAULKNER—Are you saying to this committee, Senator Minchin, there will be no further tranche of workplace relation advertising on television screens next week? If you make that statement absolutely, I will accept it.

Senator Minchin—Now you are asking a completely different question.

Senator FAULKNER—I am asking that question.

Senator Minchin—You asked about the media space booked next week. Evidence was given that media space is booked once a campaign is approved and is booked for a particular campaign. Media space has been booked next week with respect to one or other of the 17 campaigns, excluding workplace relations, which are ongoing. The only decision with respect to the workplace relations campaign is for a campaign this week, and the Prime Minister said in parliament yesterday that nothing is planned beyond this week.

Senator WONG—At this stage.

Senator Minchin—So all I can do is stand by what the Prime Minister said.

Senator FAULKNER—So you can guarantee then—which is what Senator Wong was asking—that there will be no workplace relations advertising on television screens next week. You can give this committee—

Senator Minchin—No, what I can do is tell you that the information available to me is that no decision has been made other than to have the advertising this week—okay? The only decision that has been made is to have advertising this week, and it has all been reported to you and the costs given, and the Prime Minister said in question time yesterday that nothing is planned beyond this week, and I cannot add anything to that.

Senator CHRIS EVANS—But we do know that the committee is actually meeting tomorrow again.

Senator Minchin—Well, it meets most Wednesdays.

Senator CHRIS EVANS—That was Mr McMahon's evidence earlier, wasn't it, Mr McMahon, that you are meeting again tomorrow?

Mr McMahon—That is correct, Senator.

Senator FAULKNER—What we are trying to check here is that this is not some cute or deceptive use of language—and you understand precisely why these questions are being asked, Senator Minchin: because there is a clear loophole in Mr McMahon's answer.

Senator Minchin—That is unfair on him.

Senator FAULKNER—Wait a minute. It is not deliberate, but there is a clear qualification which now I am asking about, and you are making the same qualification, Senator Minchin. You are entitled to do so. I am not suggesting what you say is not accurate. But there could well be a decision made in relation to advertising between the time questioning concludes on this matter—in other words, from tomorrow onwards—and the end of this week in relation to workplace relations advertising.

Senator Minchin—All sorts of theoretical possibilities are available to your particular mindset, Senator Faulkner. All I can tell you is that the only decision that has been made is to run a campaign this week, and you have all the information in respect of that—and the Prime Minister's statement in the parliament yesterday that nothing is planned beyond this week. That is a straight statement of the facts.

Senator FAULKNER—It may be a straight statement of the facts, but we know in relation to non-government advertising, for the week ending 5 and 6 May, that that non-government advertising decision to—

Senator Minchin—Non-campaign.

Senator FAULKNER—My apologies—non-campaign advertising. We know in relation to that non-campaign advertising that the decision was made a day before it was placed.

Senator Minchin—Yes, but there were particular circumstances with respect to that advertising—

Senator FAULKNER—And it is that circumstance—

Senator Minchin—those circumstances being that the government made a decision to change the test with respect to AWAs, and the decision was that it would be effective from 7 May, and it was critical—I think the decision was made on the 4th or 5th—that all employers in particular be informed that, as of midnight on the 6th and into Monday, the 7th, AWAs from that date on would have to pass a fairness test. So information to that effect had to be got out immediately.

Senator FAULKNER—But what is trying to be established here is whether it is possible for some sort of arrangement to be made—obviously, the substitution of an ad in one campaign for an ad in another—and I think I am now satisfied that that cannot happen, as a result of the evidence that the actual bookings occur with a definitive campaign. I accept that evidence. I have not asked, though, whether in fact, when the bookings are made, a campaign is identified. Is it possible to have a situation where a booking is made and a campaign is identified but another campaign is substituted at a later stage? Let's just cover that one off if we can.

Senator Minchin—I will allow Mr McMahon to say whatever he likes, but in theory anything can happen. I suppose, if there was a flu outbreak tomorrow and the government needed quickly to advertise how you go and get flu injections or something, if ads needed to go to air next week as a matter of national urgency, then, presumably, if we were booked in for advertising you could say: 'Look, this is a national emergency, we've got to do flu ads. How do we get space? We've got something booked for drought relief; perhaps we had better use the drought relief space.' I do not know. That is probably possible.

Mr McMahon—That is highly possible.

Senator Minchin—If you want to explore all sorts of theoretical possibilities. I know you are trying to get to a—

Senator FAULKNER—I am sure not even you consider that a workplace relations advertising campaign, for example, would be the equivalent of a major flu pandemic.

Senator Minchin—No, but I know where you are trying to go—you are trying to suggest that the government could in the next few days decide that it wanted to conduct another week's advertising and therefore grab some space that is devoted to the drought, or something like that.

Senator FAULKNER—I am not suggesting that; I am asking—

Senator WONG—Are you ruling that out, Senator Minchin?

Senator Minchin—That is what you are trying to adduce, and that is what you will say to the media outside.

Senator FAULKNER—No, that is not right. You object to words being put into the mouths of witnesses; do not put words into my mouth. I am not suggesting that. I am asking about it because I want to be assured that that is not going to occur. I do not know whether it is going to occur or not.

Senator Minchin—All I and the officials can do is tell you what the situation today is and what the evidence before us is—that is, that the only campaign that has been approved is for this week and the evidence of the Prime Minister and the parliament yesterday was to the effect that nothing is planned beyond this week. It is not possible for us to do anything other than that. You can speculate, conduct all your theoretical possibilities or do whatever you like.

Senator FAULKNER—I do not want to speculate. I want to ask process questions and get answers to them, and that is what I am doing.

Senator Minchin—Neither I nor the officials can do more than what we have put before you.

Senator FAULKNER—I go back to the fact the non-campaign advertising was organised at a very late stage—in fact, as you know, a day before this major campaign appeared in all the major weekend newspapers.

Senator Minchin—But, as I said to you, that was a particular set of circumstances with a government decision made to take effect on 7 May, with the important requirement that all employers understood that all AWAs from that Monday on would have to pass this fairness test. It was critical that that information be got out over that weekend. That is a particular set of circumstances.

Senator FAULKNER—The definition that we have heard and that you endorse of non-campaign advertising is that it is uncontroversial, it is bland—that is right, isn't?

Senator Minchin—There is a general description of what, for working purposes within the government, is deemed to be campaign and non-campaign as described in the GCU or MCGC website.

Senator FAULKNER—Can I ask why those non-campaign advertisements of 5 and 6 May were authorised?

Senator Minchin—What do you mean by 'authorised'?

Senator FAULKNER—You know what section 328 of the Commonwealth Electoral Act requires.

Senator Minchin—Yes.

Senator FAULKNER—It requires electoral advertisements to be authorised if they contain electoral matter. And you know that the act contains and defines—

Senator Minchin—I will just ask Mr McMahon to—

Senator FAULKNER—Wait a minute. I am just saying that you know that that is the requirement.

Senator Minchin—Yes, but I am not sure what the general practice is with press ads.

Senator FAULKNER—I do not see authorisations on positions vacant ads, and I have seen a lot of them for the Commonwealth government. Anyway, you tell me, Mr McMahon, why it was authorised.

Mr McMahon—It is not an electoral matter so much as it is good practice for this type of non-campaign advertising to be authorised so that readers may know that it is an authorised representation.

Senator FAULKNER—What is the need to authorise it?

Mr McMahon—We feel that it is good practice. It is an additional requirement.

Senator FAULKNER—Of course it is. Section 328 of the Commonwealth Electoral Act—as Senator Minchin knows because he knows the act well, and I think I know it pretty well—requires electoral advertisements to be authorised if they contain electoral matter. The act defines ‘electoral matter’ as matters which are intended or likely to affect voting in an election. Why were the non-campaign advertisements on workplace relations authorised?

Dr Morauta—Senator, I think he has answered the question already by saying it is just good practice in relation to where something comes from.

Senator Minchin—It does not follow from your accurate statement about that section that all ads that have ‘authorised by’ contain electoral matter.

Senator FAULKNER—How much non-campaign advertising is authorised, Dr Morauta?

Dr Morauta—I do not have any figures in front of me to answer that question.

Senator FAULKNER—How much of this substantial amount of non-campaign advertising has been authorised?

Mr McMahon—The LPG advertisement, to which I referred earlier, for example—

Senator FAULKNER—Yes. That reinforces my point, not yours.

Mr McMahon—That was authorised.

Senator FAULKNER—Yes, so it should have been; it was partisan.

Senator Minchin—What is partisan about advising people they can get a grant for LPG—a policy you support?

Senator FAULKNER—What else is authorised?

Senator Minchin—What is partisan about that?

Senator FAULKNER—It is designed to influence people’s vote in an election. That is what the advertisement is about.

Senator Minchin—For goodness sake! It is the government of the day informing people of the opportunity for them to get a grant to get LPG.

Senator WONG—Why did you need Electoral Act authorisation for it?

Senator Minchin—On the basis of what you are saying, no government could advertise anything.

Senator WONG—If this was non-partisan, why did you seek authorisation for it?

Dr Morauta—It is not authorised under the Electoral Act. It is not intended to be that. It has nothing to do with the Electoral Act. It is a statement about who takes responsibility for putting this advertisement in the paper.

Senator Minchin—So readers have confidence that it is a government ad.

Senator FAULKNER—Are you seriously saying that to this committee, Dr Morauta? I would be very careful about that last statement, regardless of whether you think the advertising requires an authorisation line or not. The thrust of Senator Minchin's evidence to the committee is that it is not required. And I thought that was the thrust of what Mr McMahon was saying; that it was an additional safeguard, if you like. Are you now saying to this committee that the authorisations that appear on Commonwealth government advertising are not intended to conform with section 328 of the Commonwealth Electoral Act? Is that the thrust of your evidence? That is what you just said. I would ask you to reflect on that.

Senator Minchin—To whom are you directing that question?

Senator WONG—Dr Morauta.

Senator FAULKNER—I am asking her to reflect on that because I am quite shocked to hear that view of what the authorisation means—and so, I think, would a range of other authorities who have had to measure these issues, as Senator Minchin knows, in relation to the appropriateness or otherwise of authorisation lines appearing on Commonwealth advertising.

Senator Minchin—Obviously, as you say, the Electoral Act requires advertising which contains electoral matter to be authorised, but it does not follow from that that any ad which has the statement 'authorised by' necessarily contains electoral matter, as per the Electoral Act.

Senator FAULKNER—I hear that.

Senator Minchin—That is what we are putting to you.

Senator FAULKNER—No, that is what you are putting to me; it is not what Dr Morauta put.

Dr Morauta—It is what I intended to say.

Senator Minchin—I understood Dr Morauta to be answering in that vein as well.

Dr Morauta—I was simply saying that when there are adverts on television or anywhere else, it is common for this line to be used to identify the source of the advertisement.

Senator CHRIS EVANS—So you think the Australian government crest on the top and the words 'Australian government' do not do that?

Senator Minchin—They do that and it is reinforced—

Senator CHRIS EVANS—Do you think the words 'Australian government', prominently placed in the middle at the top, are not sufficient for this particular ad?

Senator Minchin—It is reinforced by the authorisation.

Senator CHRIS EVANS—Which is in small print at the bottom.

Senator FAULKNER—Oh, what a tangled web you are weaving!

Senator Minchin—In your mind.

Senator WONG—Mr McMahon, who gave the authorisation?

Mr McMahon—We include it as a matter of good practice.

Senator WONG—Is ‘we’ GCU?

Mr McMahon—Yes, that is correct.

Senator WONG—When you say ‘good practice’, what criteria do you apply? Do you authorise job ads?

Mr McMahon—No.

Senator WONG—Do you authorise meeting notices—for example, ‘A public meeting will be held on this date’?

Mr McMahon—No, I do not believe so.

Senator WONG—So is it the case that you only authorise advertisements which go to matters which may affect people’s voting intentions?

Mr McMahon—It is an additional requirement that we impose.

Senator WONG—What is the requirement internally? What are the criteria you apply when you decide that a taxpayer funded ad requires authorisation?

Mr McMahon—Where information of this nature is provided—

Senator WONG—This nature?

Mr McMahon—Where it explains the proposed introduction of a new statutory provision, for example, we would require as a matter of good practice that this authorisation be used, as well as ensuring that the community understands that it was an approved representation.

Senator WONG—So that people know that it is real?

Dr Morauta—They know that it comes from the Australian government.

Senator WONG—They know that it comes from the Australian government. So it gives it additional weight. Is that right, Dr Morauta?

Dr Morauta—It is about sourcing it. I do not think that we can add very much to what we have said—that, as a matter of practice, we have included this in adverts; you can see it on the television adverts too, it is not limited to the press in this way; and it has been a practice to identify the source of the advertisement.

Senator FAULKNER—It is not the practice for non-campaign advertising; that is the point. It has never been the practice for non-campaign advertising.

Dr Morauta—It has been used for some of it and not for others, Senator.

Senator FAULKNER—Because some of it now crosses the boundary. That is the whole point. That is the view of senators on this side of the table. I am not expecting the officials to have an opinion, but obviously there is a difference of view between opposition senators and the minister at the table. I accept that. The point that is being made here in the broad is that this non-campaign advertising is pushing boundaries that it has never pushed before.

Senator Minchin—That is your political spin on this.

Senator FAULKNER—That is my view. I have just said that is my view and you do not share it. I am explaining to Dr Morauta why this is significant from the view of at least opposition senators, and I hope others who care about accountability.

CHAIR—Are there any questions?

Senator WONG—Mr McMahon, before lunch I was asking about the involvement of the Prime Minister's office in the drafting of the text of the advertisements. Have you had an opportunity to refresh your memory?

Mr McMahon—No, Senator.

Senator WONG—Did you attempt to refresh your memory?

Mr McMahon—I am not sure what activities occurred in the department. I do not have the materials with me.

Senator WONG—No, but I gave you notice earlier today that I would be coming back to this to find out the process. What was the involvement of the Prime Minister's office in the drafting of the so-called non-campaign advertising?

Mr McMahon—I would like to take that on notice, if I may. I do not have the information.

Senator WONG—Were you the officer liaising with the Prime Minister's office?

Mr McMahon—Yes.

Senator WONG—It was you?

Mr McMahon—Yes.

Senator WONG—This is two or three weeks ago and you can't recall what involvement the Prime Minister's office had in drafting the text of the advertisements?

Mr McMahon—I think the question this morning went to what the mechanism of discussion was. I said that there were discussions. I think we went to what the mechanism of discussion was and I said I would have to come back to you.

Senator WONG—Who did the first draft of the text? You remember that, Mr McMahon, don't you?

Senator Minchin—This series of questions was taken on notice and they were going to look at supplying—

Senator WONG—Do you recall who did the first draft?

Mr McMahon—Yes. I think I gave evidence this morning that it was prepared in the GCU.

Senator WONG—Were materials provided to you by the Prime Minister's office for the preparation of that?

Mr McMahon—I can't recall, Senator.

Senator WONG—You sent the draft through to the Prime Minister's office for checking?

Mr McMahon—As I said, I would like to—

Senator Minchin—This was all asked this morning and the officials said they would take it on notice.

Senator WONG—I asked him to come back, Minister.

Senator Minchin—The officials said they would take it on notice.

Senator WONG—I can understand you do not want to clarify just how much the Prime Minister's office was involved in preparing this non-campaign advertising.

Dr Morauta—Senator, in terms of the practicalities, Mr McMahon has been at the table, I have been here; we are not back in the department. At lunch-time we did not return to the department to look at these things. We have people working on them and we are doing our best to get back to you on the matter, but we do not have the information for you at the moment.

Senator WONG—With respect to the three contracts in relation to this workplace relations communication project—Open Mind, Gavin Anderson and Whybin—is that contract with GCU?

Mr McMahon—No, it is with DEWR.

Senator WONG—Did you handle the tender process or did DEWR?

Mr McMahon—There is a select tender process for government communications.

Senator WONG—How many competitor tenderers were there in relation to the Whybin TWA contract?

Mr McMahon—There were two.

Senator WONG—Including the successful tenderer?

Mr McMahon—Yes, that is correct.

Senator WONG—So one out of two?

Mr McMahon—Yes.

Senator WONG—When was that tender called for?

Mr McMahon—I do not have that information to hand.

Senator WONG—Who would have that information?

Dr Morauta—It will be in the department.

Senator WONG—It is DEWR or you?

Mr McMahon—We could take it on notice and come back to you.

Senator WONG—Are we talking about a month or a week? I am trying to get a ballpark figure. Was the tender advertised?

Mr McMahon—No. It is a select tender process, so it does not require advertisement.

Senator WONG—So it goes to a panel of prospective tenderers—correct?

Mr McMahon—That is correct, yes.

Senator WONG—When did that happen?

Mr McMahan—As I said, I cannot recall. If I could take that on notice—

Senator WONG—A couple of days before the tender was determined?

Mr McMahan—I cannot recall.

Senator WONG—And the same with Open Mind? Was there only one other prospective tenderer?

Mr McMahan—That is the market researcher.

Senator WONG—Yes. Was there one other prospective tenderer?

Mr McMahan—No, there was only one expression of interest sought for market research.

Senator WONG—So you went to them and said, ‘We want to use you; tell us how much.’

Mr McMahan—That is correct, yes.

Senator WONG—Tell us how much.

Mr McMahan—That contract is with the department.

Senator WONG—It is not really a tender process, is it? It is just selecting someone you want to enter into a contract with.

Mr McMahan—Because it is a select tender arrangement, that is possible—yes.

Senator WONG—And was it the same process with the PR company as well?

Mr McMahan—There were three who put forward pitches, and Gavin Anderson & Company was the successful one.

Senator WONG—Certainly, in relation to market research and advertising, it is a very truncated process. Is this what you would call a rapid-fire process?

Senator Minchin—I do not think you can ask the official to characterise it in one way or the other.

Senator WONG—Is it normal to have so few competitive tenders in this process?

Dr Morauta—I have sat and listened to Mr Williams’s answers to questions in this area, and I feel that it has been very common for two or three companies to be asked to put forward proposals.

Senator WONG—What about one?

Mr McMahan—They were single selected.

Senator WONG—Single selected? That is a Public Service term for ‘you just pick someone’, I guess.

Senator MURRAY—My question is: was it a panel from which you selected?

Mr McMahan—That is correct; yes, there was.

Senator FIERRAVANTI-WELLS—It is like legal services. If a particular department has a panel of lawyers it may choose a particular firm of lawyers to do a particular job, given its expertise in a particular area required by the department. So this is an analogous situation.

Mr McMahan—Yes, that is true.

Senator BOYCE—And normal commercial practice as well, I would have thought, across a huge range of areas.

Dr Morauta—I have an answer to Senator Faulkner's earlier question about training between the two Senate estimates. PM&C officers went on two programs of activity. One was the APSC preparing to appear before a parliamentary committee course. It was run on 14 and 15 May, and the cost of the course for one officer was \$1,700.

Senator FAULKNER—That was 14 and 15 May?

Mr McMahon—Yes.

Senator FAULKNER—One officer attended?

Dr Morauta—Yes.

Senator FAULKNER—This was for estimates preparation—what was the cost of that?

Dr Morauta—It was \$1,700. The other preparation that was provided by the department was one-on-one by Laurie Wilson and Associates. That occurred on 17 May and the cost was a total of \$700 excluding GST.

Senator FAULKNER—Again, that was for one officer?

Dr Morauta—Yes.

Senator FAULKNER—Was it the same officer?

Dr Morauta—I am not answering that question, Senator.

Senator FAULKNER—Why not? What is the problem with that question?

Dr Morauta—We do not need to go into the detail of which officers. I think we have met the requirements of the department.

Senator FAULKNER—I did not go into the detail; I just asked whether it was the same officer, for heaven's sake. I can ask and I may ask; you may not answer, although I would prefer the minister to make a decision, and not you, as to the appropriateness of answering it or not. But my question was: was it the same officer undertaking the two training programs? It seems to me to be a most unremarkable question. Anyway, that is the question, Minister.

Senator Minchin—Dr Morauta has chosen not to specify that.

Senator FAULKNER—I know she has, so I am asking you: was it the same officer that undertook the two training programs? I have accepted some boundaries that you have put in place today. I would not always accept them. I do not think they are of critical importance. This seems to me to be a perfectly reasonable question at any stage. It does not identify individuals; it is just asking whether it is the same officer. Either yes, it is, or no, it is not, and you move on.

Senator Minchin—I am anxious that officers are not identified.

Senator FAULKNER—How does that identify the officer? I have not asked that question.

Senator Minchin—With that qualification, I am happy for Dr Morauta to answer the question and I will stand by her answer, but it is a matter for her to decide—but on the basis that it does not lead to identification of officers.

Senator FAULKNER—I am not quite sure of what significance the identification of the officer is. I intend to ask another question, which may be taken on notice or not, as you see fit, about who the officer or officers concerned were. I do not intend to press that now, but I do want to press the issue of whether it is the same officer.

Dr Morauta—Yes. I can answer that it is the same officer.

Senator FAULKNER—Thank you. Who then, Minister, is the officer?

Senator Minchin—You can ask but we have already said that we are not going to identify which officers had what training. I think it is unfair to name them.

Senator FAULKNER—Can you take that question on notice?

Senator Minchin—I will take it on notice but I cannot promise you that I will get you an answer.

Senator FAULKNER—No. But I have asked you if you would take it on notice; and, if an answer is not provided for that, perhaps an explanation could be provided instead as to why it is not provided.

Senator Minchin—Sure. I am happy to do that.

Senator FAULKNER—I am not going to progress that any further. Thank you.

Senator WONG—I am going back to the \$20.5 million that you indicated was appropriated for OWS and the OEA in the additional estimates process, Dr Morauta. I do not have the additional estimates statements for DEWR with me, but was that identified?

Dr Morauta—Yes, it was. It is on page 125.

Senator WONG—Thank you. I appreciate that. What other additional appropriations in the DEWR portfolio were there in relation to advertising? None?

Dr Morauta—I do not know. I cannot answer that question. I have no more information than this before me.

Senator WONG—What do you have before you?

Dr Morauta—I just have a sheet from the additional estimates.

Senator WONG—Can you tell me what else in additional estimates was appropriated across other portfolios for advertising?

Dr Morauta—I do not think we compiled that centrally.

Senator WONG—What is the sheet then?

Dr Morauta—Sorry, it was a just a copy of the page from the DEWR AEs.

Senator Minchin—It is a DEWR question.

Senator WONG—The guidelines for the MCGC indicate that the committee will scrutinise the formal evaluation of each information campaign. That is at paragraph 3.3.2.

Mr McMahon—Yes, I see that.

Senator WONG—Can you tell me what the evaluation was in relation to the first Work Choices campaign? When was that scrutinised?

Mr McMahon—No, Senator, I cannot tell you that. I do not know.

Senator WONG—Was there an evaluation?

Mr McMahon—I do not know.

Senator WONG—You do not know?

Mr McMahon—No.

Senator WONG—Would anybody else know?

Mr McMahon—That is probably a question that best goes to DEWR because—

Senator WONG—No, because—

Mr McMahon—they have the contract with the market researcher.

Senator WONG—But the guidelines for the committee you service, Mr McMahon, state that they will scrutinise the formal evaluation of each information campaign. You have been in this position for—what?—at least a year; not quite, August 2006.

Mr McMahon—Yes, that is right.

Senator WONG—Were you in this unit beforehand?

Mr McMahon—No.

Senator WONG—So since August 2006 has there been any scrutiny of a formal evaluation of the Work Choices campaign by the committee?

Mr McMahon—I would like to take that on notice, if I may.

Senator WONG—Is that because you do not know?

Mr McMahon—Yes, that is correct.

Senator WONG—Do you know of an evaluation campaign?

Mr McMahon—Of an evaluation of the campaign?

Senator WONG—Do you have any knowledge of an evaluation campaign of the Work Choices advertising campaign? Sorry; I had too many campaign words in that sentence: do you have any knowledge of an evaluation being done of the Work Choices advertising campaign?

Mr McMahon—I think that question is best directed to the department.

Senator WONG—I will ask them too, Mr McMahon, but your unit services a committee that is supposed to scrutinise evaluations of campaigns. I am asking whether you are aware of an evaluation being done and, if you do not wish to answer, I would ask you to identify the basis on which you do not wish to answer.

Mr McMahon—What I have said to you is: I do not know whether the committee has considered an evaluation report and I have offered to take that on notice.

Senator WONG—And I have asked if you are aware of there having been an evaluation.

Mr McMahon—I am not aware of one.

Dr Morauta—I think we could usefully take that one on notice for you, Senator.

Senator WONG—We discussed pilot advertisements before in relation to the second campaign, the workplace relations communications project.

Dr Morauta—The question you asked, I think, was: did they look at video or whatever it is called of the adverts?

Senator WONG—Test ads, and I think you confirmed that there have been test ads produced; is that right?

Mr McMahan—This is workplace relations?

Senator WONG—Yes.

Mr McMahan—The committee considered the campaign on six occasions, and I have given dates as to those.

Senator WONG—Yes, you have.

Mr McMahan—As to the specific activities that the committee undertook on each of those occasions, it is something that I do not think I am in a position to answer.

Senator WONG—I am asking if there were test ads produced and I think you previously indicated there were.

Mr McMahan—Yes, that is correct.

Senator WONG—In the six meetings of the MCGC, other than Mr Nutt, was there anyone else from the Prime Minister's office involved?

Mr McMahan—No, Senator.

Senator WONG—To your knowledge were the test ads given to any ministerial office or the Prime Minister's office for consideration?

Dr Morauta—I want to come in here and say that the processes of the committee often involve people from ministers' offices and other departments bringing material to the committee, so in that sense people from ministers' offices are involved. So when something is brought forward from a portfolio, the people who come from the portfolio are not just the officials from the department; they are usually people from that minister's office as well. So in any case, people from ministers' offices would see this material, but they would be presenting it to the committee.

Senator WONG—So Minister Hockey's office would have seen the test ads and have been part of the discussion process.

Dr Morauta—I was describing the general process; I cannot speak about this one.

Senator WONG—I am going from the general to the specific.

Mr McMahan—Yes, I would think so.

Senator WONG—Any other ministers' offices involved?

Mr McMahan—None of which I am aware.

Senator CHRIS EVANS—We were talking earlier about media buy and the large number of ads that have been booked by the federal government during the current period and the months ahead. I remember last time we spoke about industrial relations—the old Work

Choices campaign—your predecessor, Mr McMahon, indicated that he had a target purchase to reach 90 per cent penetration of the Australia population—that the frequency of the ads was designed to achieve a 90 per cent penetration.

Mr McMahon—I do not think so. I did not give that evidence.

Senator CHRIS EVANS—No, I said ‘your predecessor’, where we were talking about the Work Choices ads.

Mr McMahon—Sorry, I thought you said ‘previous’.

Senator CHRIS EVANS—Can you tell me what the target audience is for the one-week IR campaign with your TV media buy?

Mr McMahon—I do not have that information to hand.

Senator CHRIS EVANS—Isn’t that a major factor in determining the level of media buy the committee would consider?

Mr McMahon—Target audience will be a basis upon which the committee will make decisions endorsing media plans.

Senator CHRIS EVANS—Given that you made those decisions in the last week or so, can you tell me what the target audience was for that campaign?

Mr McMahon—No, I cannot. I do not have the information to hand.

Dr Morauta—We can take it on notice.

Senator CHRIS EVANS—I would appreciate it if you could just check for me. It seems to me it is not that hard; it is something that happened within a week. You authorised \$4 million of taxpayers’ expenditure. I would like to know why. What are we hoping to achieve by that? In previous campaigns you have indicated what the audience target is. Four million dollars in one week is a huge media buy. I am trying to understand what your target was for that media campaign.

Mr McMahon—I have just been advised that it was directed to an audience of adults who are 18 years or older.

Senator CHRIS EVANS—That is the voting age and that just happens to be a happy coincidence.

Senator FAULKNER—I do not think there is any coincidence in it.

Senator CHRIS EVANS—I am not being critical, but I do not find that terribly helpful. Adults over 18 is a pretty big target group. It is years since I have had to purchase advertising and I did not do it very successfully because I spent a lot of money without much result. So I do not pretend to be an expert. But they were difficult times in Western Australia at the time. You make a media buy on the basis of not only who you want to target but on the capacity to reach that target. Telling me that you were targeting all adults is helpful, although, given the concern about junior workers, one would ask why you were not targeting those from 15 to 18, many of whom have been very disadvantaged under the current system. Putting that to one side, what was the target for a media buy of \$4 million in six days?

Mr McMahon—I do not have that information to hand.

Senator CHRIS EVANS—Perhaps you could see if anyone at the back of the room or at the office can help us. Maybe we will come back to that in a few minutes because surely you are not saying to me that you have spent \$4 million of taxpayers' money and do not know what your objective was. The committee must have had an objective in terms of that reach. It was a very short campaign—probably one of the largest media buys per day ever by the Commonwealth, I would have thought. Given that it was \$4 million over six days, it was a massive buy. I have only seen five minutes of television in the last two days and I saw the ad, so clearly it is working. The previous Work Choices campaign was a much longer campaign but it was directed at a 90 per cent penetration rate. I am interested in what you can tell us about what the unit or the government hopes to achieve by this massive buy.

Dr Morauta—We are having it tracked now.

Senator CHRIS EVANS—Thank you.

Senator FAULKNER—I wanted to come back to that. One thing that is not on the list of 18 active campaigns that have been identified is the campaign that Mr Turnbull announced today. I am sorry; I am not sure that he actually announced it today. He just said today that it would be starting soon, which is a different thing. It is the energy efficiency campaign, which is being described by the environment minister as a national advertising campaign promoting energy efficiency. I wanted to ask whether this particular campaign has come to the attention of either the GCU or the ministerial committee.

Mr McMahan—I am aware of Mr Turnbull's comments but, consistent with the evidence that we have given on a number of occasions in the past, I am not in a position to comment on communications projects until they commence in the media, when they become campaigns.

Senator FAULKNER—You say you are aware of his comments. I appreciate that; that is helpful. But I am asking whether this matter is before the GCU or the MCGC.

Mr McMahan—It is the same answer. Until a campaign commences in the media, it is not a communications campaign and I am not in a position to comment upon it.

Senator FAULKNER—Is there one climate campaign? This is promoting energy efficiency. Are you also aware of another broadly defined climate change campaign?

Dr Morauta—If it is not on our list of 18, the answer would be the same for any questions about other ones that are being discussed by ministers or in the media or anything else.

Senator FAULKNER—We are talking here, in relation to climate change, about a massive advertising campaign, I think involving a mail-out to eight million households, the usual colour brochure and covering letter from the Prime Minister and a new government climate change website. I believe it may well involve TV and radio advertising. I am asking whether this has come to the attention of the GCU.

Mr McMahan—I am sorry; my answer remains that I am not in a position to comment on it because it is not a campaign until it commences in the media. You would appreciate that there may be communications projects which the GCU may facilitate, but they may be cancelled at any time. They are internal working projects by departments, so I think it is probably a question best asked of the Department of the Environment and Water Resources.

Senator FAULKNER—When you say they can be cancelled at any time, what is the formal tick-off process for the ministerial committee? When in your view is a campaign defined as starting?

Mr McMahan—A campaign starts when it commences in the media.

Senator FAULKNER—So a campaign does not start until the first ad goes to air.

Mr McMahan—Until it commences in the media.

Senator FAULKNER—We know the answer to this question but you can confirm it. Is there expenditure of public moneys before these campaigns go to air?

Mr McMahan—Departments may expend money on communications activity but there generally would not be media expenditure.

Senator FAULKNER—The booking of media placements occurs, doesn't it? It depends on billing arrangements, doesn't it?

Mr McMahan—The GCU does not run campaigns; departments do. We facilitate them through the MCGC process and we hold the contracts for the central advertising system with Universal McCann and hma Blaze, so I am quite able to talk about those sorts of arrangements. But until a campaign commences in the media it is an internal working project on the part of the department, and I do not feel I am in a position to comment on them.

Senator FAULKNER—Who came up with this extraordinary definition about a campaign commencing when the first ad goes to air?

Mr McMahan—That is consistent with the evidence we have given in the past.

Senator FAULKNER—It is consistent. It has been consistently criticised by me, too. So it is consistent on both counts. How did that definition come into being?

Senator Minchin—I do not think Mr McMahan is in a position to give you the origins of it.

Senator FAULKNER—Do you know?

Senator Minchin—I do not know but we can take it on notice, if you like. It may well be a practice that goes back a very long time.

Senator FAULKNER—It may well be. It has not always been interpreted the same way. This has evolved, I can assure you, over recent years to the advantage of the Howard government, as you know. So you cannot tell us anything about Mr Turnbull's campaign, even though he has waxed lyrical today about how this energy efficiency campaign is going to start soon?

Senator Minchin—They are questions for the environment department.

Senator FAULKNER—Mr McMahan cannot tell us about that campaign?

Mr McMahan—I have seen the minister's comments but I cannot add anything to them.

Senator FAULKNER—And you cannot confirm that the government advertising campaign on climate change is going to include a mail-out to eight million households, a new website and TV and radio advertising?

Mr McMahon—I cannot confirm that. That is correct.

Senator FAULKNER—It is not that you cannot confirm it; you will not confirm it. That is the language I would prefer.

Mr McMahon—That is right. I am not in a position to do so.

Senator FAULKNER—You could confirm it if you felt you were in a position to do so.

Senator FIERRAVANTI-WELLS—It surprises me that you have taken this line. You have just gone through a state campaign with you as federal president. I wonder whether you made the same sorts of objections that you have raised here to Morris Iemma regarding the extent of the campaigning that was done in New South Wales.

Senator WONG—Try to ask that without reading off your email. It would be more impressive.

Senator FIERRAVANTI-WELLS—Thank you, Senator Wong. Did you raise the same degree of objection with Morris Iemma?

Senator FAULKNER—Senator Fierravanti-Wells, if Senator Minchin cares to resign as a minister and Mr Howard chooses to appoint me I will go and sit at that side of the table and answer your questions and I will ensure there is a great deal more transparency than exists under this government. So there you are. That is a commitment to you.

Senator FIERRAVANTI-WELLS—It is all very well for you to come in here, Senator Faulkner—you have been President of the Labor Party but did you raise these objections with Morris Iemma?

Senator FAULKNER—Chair, you really are too laissez-faire.

Senator MURRAY—Chair, I raise a point of order. This is a bit disorderly. I am not sure that debate between two senators assists us in this matter.

Senator WONG—Mr McMahon, you said that it is not a campaign until you buy it, essentially—until the media campaign commences. Presumably, the government is not going to permit large amounts of taxpayers' money to be spent on creative content and development without at least some indication that a campaign will be approved. So what is the process? Before a department such as DEWR, DEW, ECITA, communications, et cetera go ahead and develop a campaign there is obviously a process of creative content, market research and various other preliminary matters before you get to a point where you have an ad to run. Surely there is some process where the MCGC gives them at least an amber light, if not a green light.

Mr McMahon—The committee would consider various aspects of the communications project before providing approval.

Senator WONG—What aspects of a communication project have been considered in relation to the energy efficiency campaign to which Senator Faulkner was referring?

Mr McMahon—I do not feel that I am in a position to provide information as to a communications project which may or may not go live in the media.

Senator WONG—But the MCGC has considered it; you just gave that evidence.

Mr McMahon—No, I did not.

Senator WONG—Sorry, you gave evidence that the process is that they consider various components. What have they considered, if anything, in relation to energy efficiency campaigns.

Dr Morauta—I think Mr McMahon is saying that we are not answering that question. We were giving you a generic description of how it runs through, but we are not going to answer about campaigns that are not, at this stage, running.

Senator WONG—What about the proposed climate change campaign, which I understand is a different, additional campaign. Have they considered any aspects of that?

Dr Morauta—I do not think we can answer that, either.

Senator WONG—What about the education campaign that Minister Bishop has been boasting about? Can you give me evidence about that, or any information about that?

Dr Morauta—No.

Senator WONG—Has that not been considered by the MCGC?

Dr Morauta—I am not answering that question, Senator; we are saying we will not give evidence on it.

Senator WONG—You will not give evidence; you just simply refuse to give evidence.

Dr Morauta—Senator, we have explained that the concept we have is that, until it is in the public domain, it is something that is internal deliberations of government, and that covers all the campaigns you are talking about which have not yet hit the airwaves.

Senator Minchin—That is one you should pursue with DEST, Senator Wong.

Senator WONG—Thank you, Senator Minchin, and I look forward to your assistance in that regard.

Senator Minchin—I will do what I can to help.

Senator WONG—If there was telephone polling, for example, in relation to the DEST campaign, would that be something that you would have any knowledge of? Would that have been approved by the ministerial committee?

Dr Morauta—Is it a hypothetical question?

Senator Minchin—Through you, Chair, to Senator Wong: the officials have said that they are not in a position to answer questions about campaigns that have not been formally announced and approved. They cannot respond to speculation or individual—

Senator WONG—Ministers have announced them.

Senator Minchin—You can pursue those with their departments, but not the GCU.

Senator WONG—Superannuation: what was your evidence about that? Was it \$15.8 million?

Mr McMahon—That is correct.

Senator WONG—The Treasurer has announced \$69 million. Can you just explain the discrepancy?

Dr Morauta—The figures we gave you are for the media campaign that has been approved and has commenced.

Mr McMahan—That is correct, until 30 June.

Senator WONG—What has been approved post 30 June in relation to that campaign?

Mr McMahan—Nothing.

Senator WONG—There is \$43 million over the forward estimates for superannuation—the Better Super campaign. Also, \$69 million has been announced by the Treasurer and the assistant Treasurer. Do you want to consider your answer in light of that?

Dr Morauta—There are different processes. One is that the government may allocate funding for a communications campaign, perhaps in the budget process or when it makes an announcement, but what PM&C is dealing with is a narrower wedge of the activity than that. We are dealing with what has gone through the MCGC. The questions we are answering are in relation to the activities of the MCGC and the GCU.

Mr McMahan—The figure that I gave before was the advertising spend of \$15.8 million to 30 June.

Senator WONG—You have given us the advertising spend of active campaigns to date.

Mr McMahan—Yes, that is correct.

Senator WONG—As at 21 May?

Mr McMahan—Yes, that is right.

Senator WONG—Are you able to tell us how much, in addition to what you have told us, the government will be spending on government advertising between now and December 2007?

Mr McMahan—No, I am not.

Senator WONG—Why not?

Mr McMahan—I can give evidence on campaigns that are presently active that extend beyond today's date because they are an active campaign; they are recorded in this document. But for future communications activities I am not able to give evidence until they commence in the media.

Senator WONG—So the government's policy is not to reveal how much will be spent on government advertising until the particular advertising campaign has already commenced.

Dr Morauta—Senator, I think that is not quite how we want to explain it to you. We are saying that, in portfolios around service, ministers may announce amounts of money that they intend to spend on communications—

Senator WONG—In terms of what you are giving us.

Dr Morauta—In terms of what we are giving you, our role with the MCGC and the GCU—we are talking about things that have been approved by that committee.

Senator WONG—Okay. But, as Mr McMahon said, there are various stages at which a campaign is considered by the committee. As I understand your evidence, you are saying, ‘We’ll tell you how much we’ll spend on campaigns that are already active; we won’t tell you how much we may or we propose to spend on campaigns where they have not yet commenced.’ Is that correct?

Mr McMahon—In terms of media expenditure, that is correct.

Senator WONG—In terms of media expenditure, that is correct?

Mr McMahon—Yes, that is correct, Senator.

Senator WONG—Right. And you also are not telling us what the upper limit of even the active campaigns is. In other words, quite obviously, you may well spend money in addition to the \$4.1 million on the Work Choices campaign.

Mr McMahon—Senator, I can only give you information that I know and about which the GCU has knowledge in terms of media expenditure. I cannot speculate on what might happen in the future.

Senator WONG—Okay. In terms of what you can give us, you will only give us details of campaigns commenced but not details of campaigns that have not commenced, even if they have been considered and assessed by the MCGC.

Dr Morauta—Considered and?

Senator WONG—Assessed—but not approved.

Mr McMahon—Yes, that is correct.

Senator WONG—Mr McMahon, you gave me the dates of various meetings at which the MCGC considered the workplace relations communication project. Is that the name that applied to the Work Choices advertising campaign as well as the current round, or is this a new name?

Mr McMahon—I am sorry; can you ask the question again, please, Senator?

Senator WONG—The workplace relations communication project—you identified that—

Mr McMahon—That was how I described it.

Senator WONG—That is how you described it?

Mr McMahon—Yes, that is correct.

Senator WONG—When you talk about that, is that in relation to the current—and, presumably, prospective—round of advertising, as distinct from the Work Choices campaign which was before this?

Mr McMahon—Yes, that is correct. Those dates I gave you related to the activity which commenced on 20 May.

Senator WONG—No, the title—the name.

Dr Morauta—I think he was using it as a broad reference title; I do not think he was giving it a formal name.

Senator WONG—Perhaps Mr McMahon can clarify that.

Mr McMahan—I think I described it as the workplace relations communications project. That was my description of it.

Senator WONG—And that relates only to the current round?

Mr McMahan—That was, I think, the evidence that I was giving at the time.

Senator WONG—So what did they call the Work Choices campaign? What was that called?

Mr McMahan—Senator, I think it was called the Work Choices campaign, if you are referring to the 2005 campaign.

Senator WONG—Yes.

Mr McMahan—Yes, I think that was called the Work Choices campaign.

Senator WONG—So when did the workplace relations communication project commence—was that April 2007?

Mr McMahan—The committee met on six occasions, including 3 April, to consider the workplace relations communication project.

Senator WONG—I have heard that evidence. Other than those meetings, can you tell us the dates on which the MCGC has met since the last estimates?

Mr McMahan—I cannot give you the dates on which the committee has met. I can tell you how many times it has met. In 2006 the MCGC met on 49 occasions. In 2007 it has met on about 20 occasions. It may be slightly more—it may be about 22—but it is around 20.

Senator WONG—To date for 2007?

Mr McMahan—Correct.

Senator WONG—What about in 2005?

Mr McMahan—I do not have that information.

Senator WONG—What is the nature of the contract with Universal McCann? That is with you. Can you remind me of the value of that contract?

Mr McMahan—I do not have that information to hand.

Senator WONG—This is the government contract for campaign advertising. You do not know how much it is?

Mr McMahan—No.

Dr Morauta—I am certain we can get that for you.

Senator WONG—I would like that before he leaves the table. That is a fairly basic question.

Dr Morauta—We understand that is important and we will check that now.

Senator WONG—Does the value of the contract extend to the value of the media buy? How does that work in terms of the arrangements, Mr McMahan? Do you want me to repeat the question or are you considering your position?

Mr McMahan—I am thinking about it.

Senator WONG—You think very carefully about how you answer questions.

Senator Minchin—That is very sensible of him.

Mr McMahan—There is a retainer in place for Universal McCann.

Senator WONG—There is a retainer?

Mr McMahan—Yes, that is my understanding.

Senator WONG—Is someone coming back with that information?

Mr McMahan—I think that is right.

Senator WONG—I do not have a lot more other than this issue. So you have taken the involvement of the PMO on notice and you cannot tell me anything more about superannuation. Is that right?

Mr McMahan—Yes, that is correct.

Senator WONG—We have had the discussion about the pilot ads.

Senator CHRIS EVANS—I have a question whilst Senator Wong is checking her list. You told us that there were 49 meetings of the committee last year and that there have been over 20 already this year. How many members do you need for a quorum at these meetings? It seems to be an enormous demand on those members.

Mr McMahan—Three members.

Senator CHRIS EVANS—Is that three members who are ministers? They are non-staff members obviously.

Mr McMahan—It would be three members, which may comprise two permanent members plus a minister or his or her representative or three permanent members.

Senator CHRIS EVANS—Why is the minister's representative not permanent? Is it because it is their particular campaign?

Mr McMahan—Because a minister or his or her representative is co-opted to the committee for that particular agenda item.

Senator CHRIS EVANS—You would not normally get the whole crew, I would not have thought, to that sort of place.

Mr McMahan—No, that is right.

Senator CHRIS EVANS—Thanks for that.

Senator WONG—While you are getting that information—I do not know if I have got the right campaign—was the regional telecommunications consumer campaign, which was \$500,000, for TV advertisements?

Mr McMahan—It includes television advertisements. I cannot tell you off the top of my head what other forms of the media—

Senator WONG—What proportion was television?

Mr McMahan—I cannot recall that.

Senator WONG—Do you have that information?

Mr McMahan—No, I do not.

Senator WONG—DCITA talks on its website about *Your Telecommunications Safeguards* guide being mailed to 3.1 million households during May and June 2007. I am trying to clarify whether that is part of the same campaign or a different campaign.

Mr McMahan—I think it would be related to that campaign. I do not know that it is part of that media spend. It would be a related activity.

Senator WONG—Is there an additional media spend which may occur in relation to telecommunications safeguards?

Mr McMahan—It will not be media in the way that you have characterised it. I do not know that it would be a media spend so much as additional communications expenditure.

Senator WONG—I am sorry: could you say that again?

Mr McMahan—In terms of the booklets that you have just referred to, I do not know that they are part of that amount of money but they would be related to it.

Senator WONG—I am just trying to work out if there are one or two campaigns here. Is telecommunications safeguards a different campaign to regional telecommunications consumer, which is the name that you have put as—

Mr McMahan—Yes.

Senator WONG—It is a different campaign.

Mr McMahan—It is as I described it earlier: they are related. To use your expression, they are part of the one campaign but that \$500,000 does not include the mail-out because it is not part of the media spend; it is separate communications expenditure.

Senator WONG—Universal McCann: have we got details on that?

Dr Morauta—They are working on it; I have not got it here.

Senator FAULKNER—I would like to ask about the question you took on notice in relation to the telecommunications safeguards campaign: are you able to provide any more information on that?

Dr Morauta—I have been giving you what has been coming forward. I do not think we have that one.

Senator FAULKNER—Thank you very much.

Dr Morauta—No, I do not have it, Senator.

Senator FAULKNER—Sorry, I thought you were going to give it to me.

Dr Morauta—Sorry; I have been giving you everything that has been coming forward and that answer has not arrived yet.

Senator WONG—I am waiting for Universal McCann.

Mr McMahan—Perhaps I could take it on notice, if that would be easier.

Senator WONG—No, this is your major contract, the only contract that deals with government advertising expenditure. I think that is something this committee can reasonably expect today.

Mr McMahon—Certainly, Senator.

CHAIR—Dr Morauta, is that information on the way or should we continue?

Dr Morauta—I have got a first assistant secretary chasing it. That is the biggest firepower I can throw at it. They are onto it.

Proceedings suspended from 3.10 pm to 3.28 pm

CHAIR—I call the committee to order—resumption of estimates for the Department of Prime Minister and Cabinet, output group 4. Dr Morauta.

Dr Morauta—We were asked questions about the contract with Universal McCann and we have the information on the current contract. It is from 1 October 2006 to 30 June 2008. The contract value is \$6.4 million. I am not sure what other information you require.

Senator WONG—How is the contract value calculated?

Dr Morauta—It is paid in monthly payments to them and then there are also some bonuses payable on achievement of certain targets that are specified for them.

Senator WONG—What are the targets?

Dr Morauta—I do not actually want to put them in the public domain.

Senator WONG—I do not want the detail.

Dr Morauta—They are like ‘make this much savings’ or ‘get this much spread’ or whatever it is. It is that sort of a target.

Senator WONG—Is it a target that is associated with effectiveness of advertising?

Dr Morauta—There are both ones relating to effectiveness and ones relating to efficiency.

Senator WONG—And the effectiveness involves the utilisation of some form of market research to—

Dr Morauta—Yes, customer satisfaction.

Senator WONG—‘Customer satisfaction’ meaning that of the Australian government or how effective the ads were in convincing Australians of a certain issue?

Dr Morauta—I do not have the detail here.

Mr McMahon—It is of Australian government departments—that is to say, how effective they found UM’s customer service to be.

Senator WONG—And the \$6.4 million is a base amount?

Dr Morauta—Yes, that is a base amount and then the other is on top.

Senator WONG—Are you able to tell me up to what amount bonuses can be paid?

Dr Morauta—I do not have information on that here. I have been advised that they have been in receipt of some bonuses during 2006-07.

Senator WONG—Can you tell me what the total amount paid to Universal McCann is to date, in 2006-07—bonuses and base amount?

Dr Morauta—No, I do not have that with me. But I can get it for you.

Senator WONG—Is any proportion of their remuneration related to the quantity of media buy?

Dr Morauta—As I understand it, no; it is about the rates they get and the savings.

Mr McMahan—The monthly retainer is a monthly payment made irrespective of the amount that they place.

Senator WONG—Is there any aspect of their remuneration which is related to the quantity of media buy?

Mr McMahan—I think when we come back to you with the specifics on the amounts I might like to come back on that particular aspect. I do not know.

Dr Morauta—On the surface, from what I have in front of me, it looks like it, but we need to check it.

Senator WONG—Was there a request for tender?

Mr McMahan—Yes, that is correct.

Dr Morauta—I think what happened here was that there was a request for tender back in 2002 and a contract was entered into with them in 2002. The contract provided an option to extend for a period of up to two years, and this current contract is that extension of two years.

Senator WONG—Did the request for tender indicate the scope of the advertising?

Dr Morauta—I do not have information on that here.

Senator WONG—Is there anything in the contract which relates to how much advertising there will be?

Dr Morauta—Again we will check on the amount—the volume of advertising.

Senator WONG—Are you able to provide us with a copy of the contract?

Dr Morauta—I will certainly inquire about that. I am not positive about the rules around this, but we can certainly give you more of a description than I have given you now.

Senator WONG—Thank you very much, Chair.

CHAIR—Are there any other questions on government communications?

Senator FAULKNER—There is a story in today's media that someone from the Department of the Prime Minister and Cabinet contacted the Nine Network about one of the shows they run, *McLeod's Daughters*, which had an AWA sequence on it. I wonder if you could confirm whether or not someone from the Department of the Prime Minister and Cabinet in fact had contacted the Nine Network about that issue.

Dr Morauta—I have no way of confirming or denying that. It is the first I have heard of it.

Senator FAULKNER—So you do not know?

Dr Morauta—No.

Senator FAULKNER—Perhaps you could take that on notice for us.

Dr Morauta—Yes.

Senator Minchin—What was the press reference?

Senator FAULKNER—Yes, I am happy to give that, and it is going to worry you when I provide it for you, Senator Minchin. It is not your favourite press outlet.

Senator Minchin—It is not the *Age*, is it?

Senator FAULKNER—It is not the *Australian* newspaper, which you just love: it always gives you and your party such a dream run.

Senator Minchin—A very good newspaper.

Senator FAULKNER—I am really surprised that you think that! I am sure they will be delighted to know that you are endorsing their editorial line. This was in fact on the Crikey website.

Senator Minchin—You have got to stop reading Crikey. It is a very bad source. It misleads you terribly. But we will check it out.

Senator FAULKNER—When you are on the back bench, you have got plenty of time on your hands. I am reading all sorts of things these days.

Senator Minchin—And more information.

Senator FAULKNER—Yes. So I can refer you to that: it is item 1 on the Crikey website. I am not suggesting that it is right. I merely want to confirm whether an official of the Department of the Prime Minister and Cabinet in fact contacted Channel 9 about this particular matter. And, given that the matter has been taken on notice, Minister, you could perhaps also take on notice whether, if it was not an official of the Department of the Prime Minister and Cabinet, was it a member of staff in the Prime Minister's office?

Senator Minchin—We are not going to do a witch hunt, but we will see what we can find out for you.

CHAIR—I am not asking for a witch hunt. Maybe the Prime Minister picked up the phone and rang Channel 9 himself. I do not know. He is doing some strange things lately, so that is possible.

CHAIR—Are there any other questions on government communications?

Senator FAULKNER—I do not have any on that sub-pro-output!

CHAIR—Are there any further questions on—

Senator FAULKNER—Unless Dr Morauta has a response on the issue I raised before the break?

Dr Morauta—No, I have no more responses at the moment.

CHAIR—Thank you. Any other questions for output group 4? No. We will move to output 4.4. Senator Faulkner.

[3.36 pm]

Senator FAULKNER—I wondered if perhaps we could receive an update, if there is any update, of any capital works that have taken place at either of the official establishments since the February estimates round—so any works that have taken place and any that are planned in either Kirribilli House or the Lodge.

Ms Hazell—In respect of the Lodge, there have been no major capital works since the last Senate estimates. In respect of Kirribilli House, there have been some small capital works: an external bathroom has been refurbished and two small water tanks have been put in.

Senator FAULKNER—They are water saving devices, are they?

Ms Hazell—Basically, water saving devices—rainwater tanks.

Senator FAULKNER—When you say ‘no major capital works at the Lodge’, how do we define a major capital work here?

Ms Hazell—It is probably more technically correct to say ‘no capital works’.

Senator FAULKNER—That is what I was wondering. Kirribilli House—what was the situation in relation to the external bathroom that you mentioned?

Ms Hazell—An external bathroom has been refurbished, which included the replacement of the toilet, the vanity and fittings, associated tiling and repainting.

Senator FAULKNER—At what cost was that, please?

Ms Hazell—Our estimated cost is \$14,500 excluding GST.

Senator FAULKNER—Was it in a state of disrepair?

Ms Hazell—That would be a fair assessment. It is an external bathroom. It is actually on the back of one of the external buildings, not on the house.

Senator FAULKNER—The water tanks were the other thing that you identified.

Ms Hazell—Yes.

Senator FAULKNER—What was the cost of those?

Ms Hazell—It was \$3,530 excluding GST.

Senator FAULKNER—There had been some publicity about water tanks at Kirribilli House. What is the capacity of those tanks?

Ms Hazell—Those tanks are 1,500 litres each.

Senator FAULKNER—They are comparatively small tanks, then, aren't they?

Ms Hazell—Yes, they are.

Senator FAULKNER—I am a little surprised that there was not a possibility for some larger capacity tanks there, but I am sure you will be able to explain to us why two 1,500-litre tanks were deemed appropriate.

Ms Hazell—They were considered an interim measure while options for siting a larger water tank were examined.

Senator FAULKNER—Has similar consideration been given to water tanks at any of the other official establishments?

Ms Hazell—We have the heritage architect considering options for sites for a large water tank at the Lodge.

Senator FAULKNER—Have the other works that were identified as being at a range of different stages at previous estimates rounds or in answer to questions on notice been completed? The supply and instillation of the new dishwasher at the Lodge—is that all done and dusted now?

Ms Hazell—Yes.

Senator FAULKNER—The purchase of the canvass umbrellas at the Lodge—is that completed now?

Ms Hazell—Yes.

Senator FAULKNER—What was the final cost of that?

Ms Hazell—The canvass umbrellas were \$2,372.73; to supply and install the new dishwasher was \$5,893.75.

Senator FAULKNER—The shade sail at Kirribilli House—that has now been erected, has it?

Ms Hazell—It has—\$6,534.

Senator FAULKNER—What about the replacement turf at Kirribilli? Is that done now?

Ms Hazell—It is done. That was at a cost of \$7,216.26.

Senator FAULKNER—Give me that figure again, please.

Ms Hazell—It was \$7,216.26. There may have been some other small sundry garden supplies in that figure.

Senator FAULKNER—I am sorry, it is really hard to hear you. Can you speak up?

Ms Hazell—My apologies. I am reading the wrong line as well. The replacement turf cost \$5,613.64.

Senator FAULKNER—Okay. What did the \$7,000 figure relate to?

Ms Hazell—That was other garden supplies.

Dr Morauta—I think these are all part of a question we have answered before.

Senator FAULKNER—Yes, but I am trying to establish whether they have been completed. Finally, the Kirribilli bathroom renovations—there are two figures that have been supplied: \$5,137.73 and \$30,285. Is that a different bathroom to the one that you have just told us about today, the external bathroom at \$14,500?

Ms Hazell—Just let me check. They are different bathrooms.

Senator FAULKNER—All different bathrooms? So there are three different bathrooms we are talking about?

Ms Hazell—Yes, we are talking about three different bathrooms.

Senator FAULKNER—Is the \$5,137 for an internal bathroom?

Ms Hazell—Yes, I think it is. Yes.

Senator FAULKNER—What about the \$30,285? Is that for an internal bathroom?

Ms Hazell—I think that is two internal bathrooms.

Senator FAULKNER—Did that relate to two?

Ms Hazell—My apologies. The \$30,000 figure covered three bathrooms.

Senator FAULKNER—What was done there?

Ms Hazell—Removal of bath and shower screens that were quite old, new shower recesses; replacing toilets, associated tiling, repainting; tiling in other bathrooms; new shower recesses and screens in all of them; and replacing toilets.

Senator FAULKNER—The renovations of \$5,137: what about that? Bathroom renovations? We have two separate figures. You have provided separate figures of \$5,137 and \$30,285. I am trying to understand what they relate to.

Ms Hazell—The \$5,000 was an additional bathroom; it was a staff bathroom.

Senator FAULKNER—So the \$30,285 was spent on the bathrooms of the residence?

Ms Hazell—It was spent on the main bathroom and two of the other ensuites in the building.

Senator FAULKNER—Okay. In relation to the replacement turf at Kirribilli House at a cost of \$5,613, were there any water usage issues in relation to that matter?

Ms Hazell—What do you mean by water usage issues?

Senator FAULKNER—I wonder whether because of water restrictions and so forth this turf replacement was a problem. It is for a number of people who live in the fine and fair city of Sydney, I can tell you.

Ms Hazell—The turf was replaced with a more, shall we say, drought hardy variety. It was an area that had degraded over time and needed to be replaced. I am not quite sure what you are—

Senator FAULKNER—I am just asking why it was replaced and whether the fact that there are water restrictions in Sydney caused a problem with the turf replacement.

Ms Hazell—It did not in that the water restrictions in Sydney do allow some watering, unlike in the ACT. It was a small area and it was quite well looked after during that time. Sydney also gets more rain than the local ACT area.

Senator FAULKNER—What you want me to do is ask you about the lawn restoration at the Lodge, so I will do that. How much did that cost?

Ms Hazell—As far as I am aware—

Senator FAULKNER—Between 1 June 2006 and 31 October 2006, wasn't there lawn restoration to the value of \$8,418.18 at the Lodge?

Ms Hazell—That is to do with oversowing the lawn that was already there with more drought resistant seeding, if you like. As areas have degraded slowly at the Lodge, they have been overplanted. It is part of an ongoing program where we are overplanting the lawn areas at the Lodge with the drought-resistant varieties.

Senator FAULKNER—I have heard about the program at previous rounds of Senate estimates committees, but again I wanted to ask you whether this was affected by drought conditions here in the ACT, where, as you point out properly yourself, there are more severe water restrictions than in Sydney.

Ms Hazell—If you are asking me whether the need to oversow was driven by the fact that there has been a more severe drought here, I think we would have to say it is a prudent measure to cope with that as those lawns have deteriorated because of the dry conditions.

Senator FAULKNER—Thanks for that. Are you able to disaggregate that \$30,285.45? You said that it was for the main bathroom and two ensuite bathrooms.

Ms Hazell—I think I would need to take on notice at this stage the disaggregation of that figure.

Senator FAULKNER—What about the evidence that we received a few years ago now about the very major refurbishment of the principal bathroom in the residence at Kirribilli House? We were informed at the time that the cost of the relocation of the main staircase and the refurbishment of the bathroom then was \$125,127. I am a little surprised to hear that, having spent such a whopping amount of money just a few years ago, even more money has been spent on refurbishing the main bathroom at Kirribilli House.

Ms Hazell—I have been advised that the expense back in 1996 was for the ensuite not for the main bathroom.

Senator FAULKNER—No, this was reported to us in this very committee on 7 February 2000. Let me quote Mr Crane, who of course has now gone onto bigger and better things—he now works in the Prime Minister’s office. Mr Crane’s evidence was:

... This work was combined with the refurbishment of the principal bathroom in the residence.

We interpolate here that that is the relocation of the staircase. He continued:

The cost of the relocation of the main staircase and the refurbishment of the bathroom was \$125,127.

I asked, ‘That is \$125,127 basically for those two jobs which were done together,’ and Mr Crane responded, ‘That is correct.’ So there we had \$125,127 being spent on two jobs around the year 2000, including the refurbishment of the principal bathroom. I am wondering why so much money is being spent again on the principal bathroom. Did we get it wrong? Did someone get it wrong back in 2000 or has something gone wrong with the renovation?

Ms Hazell—I think it might be an issue of terminology. You are talking about the principal bathroom back then. I think that might actually have been the master bedroom ensuite. The main bathroom certainly had not been refurbished. I am going to have to take it on notice. I was not in the department back in 2000 and I will need to have a look at the evidence and work out exactly which bathroom was refurbished.

Senator FAULKNER—Ms Hazell, it may be a question of terminology, but I am using Mr Crane’s terminology of 7 February 2000 and your terminology of today’s date which I think is reasonable in the circumstances. Even if you are right and that referred to one of the ensuite bathrooms, doesn’t the point remain that this \$30,285 relates to the refurbishment of three bathrooms—two of which are ensuite bathrooms anyway. The point remains: why on earth do we need to refurbish and renovate these bathrooms so soon after they were done before?

Ms Hazell—I think, with the exception of the main or the principal bathroom, which we look into, all the other bathrooms had not had significant refurbishment for some 20 or 30 years.

Senator FAULKNER—I think you will have to check and provide some information on the three bathrooms that were refurbished between June 2006 and October 2006 at a cost of \$30,285. What was the bathroom that had the refurbishment done at the time of the relocation of the staircase at \$125,127? What is the interface between these two? Why did the need for it occur?

Ms Hazell—I can take that on notice.

Senator FAULKNER—I am sorry that we cannot get answers on that at the moment because I certainly want to be assured that that we are not throwing good money after bad. There was also the purchase of a sewing machine for the Lodge, between 31 January and 31 May, wasn't there?

Ms Hazell—Yes, there was.

Senator FAULKNER—What was the cost of that sewing machine? It was a Rolls Royce model for sewing, wasn't it?

Senator FIERRAVANTI-WELLS—It depends on what you mean by Rolls Royce.

Senator FAULKNER—Just the usual understanding of Rolls Royce; in other words, a doozy.

Senator FIERRAVANTI-WELLS—There are sewing machines and then there are sewing machines.

Senator FAULKNER—That is it, and this one is a Rolls Royce judging by the cost of it. Anyway, how much did it cost?

Ms Hazell—It cost \$635.45.

Senator FIERRAVANTI-WELLS—I can assure you, Senator Faulkner, that is not a Rolls Royce.

Senator FAULKNER—Thank you. How would you describe it?

Senator FIERRAVANTI-WELLS—I am just telling you. I have an interest in—

Senator FAULKNER—It is like a Ford Falcon version, is it? Like the car I drive. Whether it is a very flash sewing machine or not, what is the purpose of the sewing machine at the Lodge? Who actually uses it?

Ms Hazell—The staff use it to do running repairs.

Senator FAULKNER—This is a replacement sewing machine, is it?

Ms Hazell—It was.

Senator FAULKNER—Running repairs of what, by the way?

Ms Hazell—There was a very old sewing machine. Running repairs I assume to linen and things like that that get damaged.

Senator FIERRAVANTI-WELLS—Can I just add: which otherwise would have to be sent out at a cost probably far in excess of the cost of the sewing machine.

Senator FAULKNER—If you are such an expert at it, why don't you go over there and do the mending?

Senator FIERRAVANTI-WELLS—Perhaps I could bring my Rolls Royce sewing machine, which cost a lot more than \$647 some 17 years ago.

Senator FAULKNER—As no-one lives at the Lodge and the taxpayers are paying for this official establishment, I think there would be plenty of opportunity for you to help out. That would be gratefully received, no doubt. Of course, the other recent addition was the refurbishment of the silver plate and the salt and pepper shakers at the Lodge, I believe; is that right?

Ms Hazell—I am just checking. I do not appear to have that information with me. What time period were you looking at?

Senator FAULKNER—Dear, oh dear. That occurred late last year—in the second half of last year. Has that work been completed? That is what I want to know.

Ms Hazell—The work has been completed.

Senator FAULKNER—So all the salt and pepper shakers are now nice and clean and shiny?

Ms Hazell—Yes.

Senator FAULKNER—That is good to hear.

Senator FIERRAVANTI-WELLS—It gives them a longer life if they are cleaned and kept tidy. I am just assisting you, Senator Faulkner.

Senator FAULKNER—I rather appreciate your—

Senator FIERRAVANTI-WELLS—You obviously do not spend a lot of—well, I will not go down that road

Senator CHRIS EVANS—Polishing the silver? I am sure he does not.

Senator FIERRAVANTI-WELLS—It gives longer life to it, but I am sure that you are not interested in that.

Senator FAULKNER—I do appreciate your assistance.

Senator FIERRAVANTI-WELLS—I am just assisting.

Senator FAULKNER—I do appreciate it. I find it a little odd, but I do appreciate it.

Senator FAULKNER—Can I ask you—unless Senator Fierravanti-Wells knows the answer to this question—whether we still have a wine consultant at Kirribilli House and the Lodge, or have we actually now finally junked the wine consultant?

Ms Hazell—We do not have a wine consultant at Kirribilli House.

Senator FAULKNER—He has actually gone? When did he conclude his work for the Prime Minister and the people of Australia?

Ms Hazell—I am just looking for that. It was quite some time ago. The agreement with the wine consultant expired on 31 October 2004.

Senator FAULKNER—I appreciate that it happened, but wasn't evidence given at a previous round of Senate estimates that, while there were no thoughts of engaging a new wine consultant, it was possible that the previous wine consultant, who I believe was, if memory serves me correctly, a gentleman by the name of Mr Bourne, might be asked or contracted to provide advice as required? You might recall, or Dr Morauta at least would recall, that that was the situation. Has that occurred at all?

Ms Hazell—No, it has not.

Senator FAULKNER—Why is it believed now—apart from the fact that there has been such negative publicity about the wine consultant—that a wine consultant is not required? Is it because perhaps the residents of Kirribilli House are considered expert enough themselves in this art of wine tasting? I do not know. What is the reason? Why was a wine consultant required previously but is not required now?

Ms Hazell—I would have to take that on notice.

Senator FAULKNER—All the wine that was selected by the wine consultant has actually been guzzled now, hasn't it?

Ms Hazell—I do not think we could answer that today. We would have to take that on notice.

Dr Morauta—It is a rather complicated question to answer too.

Senator FIERRAVANTI-WELLS—How do you know it was guzzled? It may have just been sipped, Senator Faulkner!

Senator FAULKNER—Would you have figures available for us, Ms Hazell, on the wine consumption at Kirribilli House and the Lodge? These figures have not been provided at Senate estimates now for quite some time, so I thought we might as well just have a close look at it.

Ms Hazell—I do not have figures on wine consumption. I do have some figures available on expenditure on wine.

Senator FAULKNER—That might assist us. At least that is a starting point.

Ms Hazell—They are figures which have expenditure on all alcoholic beverages, not just on wine.

Senator FAULKNER—So the figures you are going to provide are for wine plus other alcoholic beverages?

Ms Hazell—Yes. For 2006-07 to 30 April—and that is purchases paid to 30 April—\$30,172.

Senator FAULKNER—I am sorry to take you back here, but let us be clear. I did not hear what you said about the time period. Can we just have that again?

Ms Hazell—For the period 1 July 2006 to 30 April 2007, purchases paid for: \$30,172.

Senator FAULKNER—\$30,187?

Ms Hazell—\$30,172.

Senator FAULKNER—Sorry, \$30,172. Thank you.

Senator CHRIS EVANS—Is that Kirribilli or the Lodge?

Ms Hazell—This is a combined figure.

Senator FAULKNER—Are you able to give us the figures for the previous financial year, please?

Ms Hazell—Yes: \$25,260.

Senator FAULKNER—That is for the financial year 2005-06. Is that right?

Ms Hazell—Correct.

Senator FAULKNER—That figure is?

Ms Hazell—\$25,260.

Senator FAULKNER—Do you have the figures for the financial year 2004-05?

Ms Hazell—Yes: \$26,779.

Senator FAULKNER—Do you have the figures for the financial year 2003-04?

Ms Hazell—\$27,196.

Senator FAULKNER—This seems to indicate a pattern—that there has been a little more imbibing going on in the current financial year, because the figures to 30 April were significantly higher than the consumption for the three previous full financial years. Is that right?

Ms Hazell—That is correct.

Senator FAULKNER—What is going on there, do you think, in the official establishment? There might be a reason for it. You might be able to explain that massive increase.

Ms Hazell—I expect trying to explain it at this stage would be speculation. I would need to take that on notice and check some facts.

Senator FAULKNER—Have we got any indication of what the pattern of alcohol consumption is at the Lodge and Kirribilli House from 1 May this year—

Ms Hazell—No, we have not.

Senator FAULKNER—either in terms of purchases or planned purchases?

Ms Hazell—No, I do not have that.

Senator FAULKNER—My colleague Senator Forshaw asks, in an aside, a good question: perhaps you could indicate to the committee who the current supplier of these alcoholic beverages is please.

Senator FORSHAW—I might say I recall the discussion about the wine consultant a couple of years ago. He is no longer there, so what is the arrangement about supply? Who supplies the alcohol?

Ms Hazell—I am advised that a number of suppliers supply the alcohol—normal retail suppliers. But if you needed further detail I would have to take that on notice.

Senator FAULKNER—Those figures from the financial year 2003-04 through to 30 April this year—does that total represent \$108,880 alcoholic beverages purchased?

Ms Hazell—I am assuming it does. I would need to get the calculator and add them up myself. We will just do that and confirm that figure.

Senator FAULKNER—In the days when I was less kind than I am now, I dubbed Kirribilli House ‘party central’, but I did notice that there was a function at Kirribilli House on 22 December last year—I believe there was a function at Kirribilli House on that occasion; that’s right, isn’t it?

Ms Hazell—I do not have information about the dates of specific functions at either of the venues.

Senator FAULKNER—I am surprised to hear that. Wasn’t there a Christmas party on 22 December last year at Kirribilli House? The reason I know this—apart from the fact that I have a bit of time on my hands so I read the newspapers as avidly as I can—is that it became infamous because—

Senator Boyce interjecting—

Senator FAULKNER—Well, it did become infamous because of an alleged verbal exchange on the lawns of Kirribilli House between David Leckie and James Packer, allegedly over AFL broadcast rights. Of course I wasn’t invited and of course I wasn’t there—

Senator FIERRAVANTI-WELLS—Surprise, surprise!

Senator FAULKNER—but I did read the media reports and I don’t think there is any question that such a function took place on 22 December. I am a little surprised that officials cannot confirm that that function took place.

Ms Hazell—I can confirm there was a function, with a cross-section of the Sydney community, for a Christmas reception. The fact I do not have at my fingertips is the date of that function.

Senator FAULKNER—Okay, are you able to confirm the report I read that at that particular function guests sipped champagne and fine wines?

Ms Hazell—No, I cannot confirm that.

Senator FAULKNER—Are you able to confirm that they ate prawns, beer, teriyaki and calamari?

Ms Hazell—No, I cannot confirm that.

Senator FAULKNER—Did you get invited to this, Senator Minchin?

Senator Minchin—No, I did not. You and I missed out.

Senator CHRIS EVANS—Senator Faulkner does represent a cross-section of Sydney society.

Senator FAULKNER—There is no shock that I missed out, but I am very worried about you.

Senator CHRIS EVANS—Between him and Senator Fierravanti-Wells, they have both ends of the spectrum covered. I am surprised they both were not invited.

Senator FAULKNER—Of course the taxpayer would not have borne the costs of that function, would they?

Ms Hazell—They would have.

Senator FAULKNER—They would have.

Dr Morauta—Are we sure what function we are talking about.

Ms Hazell—If it is the cross-section of the Sydney community one.

Senator FAULKNER—So the taxpayer bore the cost of the function for Mr Howard's Christmas drinks at Kirribilli on 22 December. Are you able to indicate what the actual costs borne by the taxpayer for Mr Howard's Christmas party at Kirribilli House last year were?

Ms Hazell—No. It has been a longstanding practice not to release the costs of functions at the residences, and we are not going to release the costs of the functions on this occasion.

Senator FAULKNER—How longstanding has that practice existed, Senator Minchin—this longstanding practice that Ms Hazell refers to?

Senator Minchin—I do not know.

Ms Hazell—Both for this government and the previous government.

Senator FAULKNER—Can you explain to me then why a similar question was answered providing the cost and number of guests for a similar Christmas party function held at Kirribilli House in December 2003?

Ms Hazell—There were two exceptions made to that general principle: one was the cost of the function held for the President of the United States, which was released in 2003 due to the significance of the event and the level of media interest, and the cost of the two functions held at Kirribilli House during December 2003.

Senator FAULKNER—I have just pointed that out. So when you say it is a longstanding practice, you mean it has been a practice for the last two or three years.

Senator Minchin—No, Ms Hazell has given evidence that the previous government and this government have a general rule where specific functions are not detailed, but there were a couple of exceptions. All rules have exceptions and in this case the exception was made as described to a general rule that has applied for a long time.

Senator FAULKNER—I do not think that is right, Senator Minchin.

Senator Minchin—So you are disputing the official's evidence?

Senator FAULKNER—No, I think the official has given very accurate evidence. I can confirm the evidence that has been given in relation to 2003.

Senator Minchin—Ms Hazell also gave evidence that this is a longstanding practice.

Senator FAULKNER—Yes, I know. I dispute that element of it. There seems to be a developing lack of transparency in relation to these matters. Why is it good enough to front up with the information for the Christmas party in 2003 and not in 2006? Is it because the costs have blown out or is it just general embarrassment?

Senator Minchin—No, the official has explained that the previous Labor government and this government have a general practice of not revealing the details of those functions but that does not mean that on occasion, when there is sufficient reason or interest, figures are revealed. That has happened on the occasions cited.

Senator FAULKNER—As I said, it is not longstanding practice. This information was provided in 2003, and I would request that it be provided for the Christmas party held at Kirribilli House in 2006.

Senator Minchin—The general rule is that that is not provided, but we will take note of your request.

Senator FAULKNER—Why can the number of guests who attended the function not be provided for the information of the public? What is so secret about the number of guests who attend these functions?

Ms Hazell—It has not been the practice to release that information either.

Senator FAULKNER—I am asking the minister: why the lack of transparency in relation to the number of guests?

Senator Minchin—All I can do is repeat what has been said to you: the general practice is not to provide details of these particular functions, either the cost or the number of guests, but we note your interest in obtaining that information.

Senator FAULKNER—We know who some of them were because we read about it in the newspaper, as you would appreciate.

Senator Minchin—I cannot add to the answer, but I note your interest.

Senator FAULKNER—Why not front up with this information? What is the reason for not providing it?

Senator Minchin—Longstanding practice not to do so. We will take note of your interest in a particular reason and see if we can supply you with an answer.

Senator FAULKNER—I would be interested in how many people went, which I am surprised cannot be provided, who in fact they were and how much wine and champagne was consumed. Most importantly, what was the cost to the taxpayer? Why cannot that information be provided in the interests of accountability and transparency?

Senator Minchin—The full costs of running the official establishments are properly reported at all times and on an annual basis, but not the costs of individual functions.

Senator CHRIS EVANS—Perhaps I can ask a related question. I noticed in the answers last year that you note the cost of the individual functions are not generally disclosed, but the department goes on to say that the functions are held in accordance with entitlements and the Prime Minister personally meets the cost of any significant hospitality at the residences which is essentially of a private or family nature. Are you able to tell me on how many occasions the

Prime Minister has provided reimbursement for functions which were essentially of a private or family nature?

Ms Hazell—I do not have that information with me, but we could provide it.

Senator CHRIS EVANS—Perhaps you could tell me how this works. So the Prime Minister has a function which is of a family or private nature and you calculate how much it costs?

Ms Hazell—Normally we would be advised beforehand that there is a function of a private nature. We then keep a record of the costs of that function so that the Prime Minister can provide a reimbursement.

Senator FORSHAW—Does the Prime Minister declare it?

Dr Morauta—He is reimbursing it.

Senator FORSHAW—If there is hospitality provided.

Senator CHRIS EVANS—As I say, this is those functions of a private nature. How do you do that though if he uses wine from the cellar? Do you sort of deduct the cost of the wine that was used out of the cellar? It seems quite difficult to do.

Ms Hazell—We know in advance that the function is of a private nature so we are able to record what is used.

Senator CHRIS EVANS—So you raise a charge against the alcohol consumed out of the house supplies?

Ms Hazell—We work out the costs and then he reimburses us for those costs.

Senator CHRIS EVANS—How do you do that if the catering is done by the in-house staff?

Ms Hazell—Do you mean the cost of the supplies to do the catering, for example? If there is a private function, it may very well have a menu. We know what was bought specifically for that function.

Senator CHRIS EVANS—Who does that job?

Ms Hazell—The chef for the function would estimate the cost of the food and provide the details of that. It is basically the staff at the house.

Senator CHRIS EVANS—So they provide you with an estimate of the cost of the food and the alcohol?

Ms Hazell—The alcohol is actually counted and recorded. In other words, if there are six bottles of wine used, it is six bottles of X variety of wine and we can work out the cost.

Senator CHRIS EVANS—Is there any other charge levied or just the food and alcohol? I am not suggesting you work out the cost of the electricity or anything.

Ms Hazell—If there is a function—

Senator CHRIS EVANS—There are guidelines on these things, I understand. It was news to me.

Ms Hazell—If the function is of a size where there are catering staff employed, something like that, then, yes, those costs would be reimbursed as well.

Senator CHRIS EVANS—But effectively, it is usually just the food and alcohol costs unless additional staff are required. Is that correct?

Ms Hazell—Yes.

Senator CHRIS EVANS—You are not able to help me on how many occasions recently that has been required?

Ms Hazell—Not at the moment. I could take that one on notice.

Senator CHRIS EVANS—Well, if you can. What about the two functions that Senator Faulkner referred to. Were they treated in that way or as they regarded as non-private?

Ms Hazell—The Christmas function, I think you are referring to?

Senator CHRIS EVANS—The two we have been discussing.

Senator FAULKNER—On 22 December.

Ms Hazell—That was not treated as a private function.

Senator CHRIS EVANS—Weren't you discussing another one as well? There was a New Year function as well, wasn't there?

Senator FAULKNER—We hadn't got to that. I was not sure if there was one. Was there a publicly funded New Year's function at Kirribilli House?

Ms Hazell—I would have to confirm that, but we believe so.

Senator FAULKNER—Do we know the date of the New Year's Eve one?

Ms Hazell—I assume it would have been 31 December.

Senator FAULKNER—Were some of the costs for that function paid for by Mr Howard or was that paid for by the taxpayer?

Ms Hazell—I would need to take that on notice.

Senator FAULKNER—We don't know that? I am a little surprised that you cannot establish that for us, Ms Hazell.

Ms Hazell—I do not have that information with me.

Senator CHRIS EVANS—Can you give us a rough idea of how many times this sort of reimbursement has occurred?

Senator Minchin—It will be taken on notice.

Senator CHRIS EVANS—I am just trying to get a sense of it; is this a regular thing or an irregular thing?

Ms Hazell—It would depend on your definition of 'regular', but it does happen a few times a year.

Senator FAULKNER—What is the justification for taxpayers footing the bill for a prime ministerial knees-up at Kirribilli House yet there being no capacity for any transparency about

how many people attend, who attends and what the costs are to the taxpayer? What is the justification for that, Senator Minchin?

Senator Minchin—I think we have taken on notice your question about the reasons why it is and has been longstanding practice not to report details of specific functions, but the Prime Minister of the country—Labor, Liberal, Democrat or Green—should be entitled to hold official functions at the official residences as part of the office, and the total costs of maintaining those official residences, including the costs of these various official functions, should be reported—and they are.

Senator FAULKNER—That is true. No-one can argue that those costs should not be reported—although sometimes it is like getting blood out of a stone—but of course in this case they are not disaggregated, so we do not know the difference in expenditure between something like appropriate maintenance for the lawn and what is happening in terms of a New Year's Eve party and a Christmas party which are open to only a select few but for which the taxpayer is footing the bill. Why shouldn't there be absolute and complete transparency in relation to those sorts of functions—who goes, how much it costs to the taxpayer and the like?

Senator Minchin—I know it would satisfy your prurient interest, but I think there is sufficient accountability in that the functions themselves are known, as is the total cost on an annual basis of maintaining these residences and the functions that occur at them. That is sufficient transparency, I would have thought.

Senator FAULKNER—We know the total? That is not right. We know that, since 1 July 2003, \$108,880 has been spent on alcohol; what has been spent on food? You say there is total transparency; what has been spent on food? Can you help us with that, Ms Hazell?

Ms Hazell—I would need to take that on notice.

Senator FAULKNER—Why are you able to give me an alcohol figure but not a food figure? I would have thought that some people would consider that food might be more important than alcohol. Why can I get an alcohol figure and not a food consumption figure?

Dr Morauta—I think probably—

Senator Minchin—Take it on notice.

Senator FAULKNER—But why? This seems preposterous. What is the justification for that?

Dr Morauta—I think probably it is just a function of the fact that senators have shown an interest in the past in this wine figure so we have prepared for this occasion by getting it together.

Senator FAULKNER—I would not like you to prepare a brief on everything I have shown an interest on in the past or you would be very busy. You have got figures on alcohol. You don't have figures on food. Let me ask you this question, Dr Morauta: what else do you have breakdowns on that you can provide to the committee? You have got alcohol, not food. What do you have?

Dr Morauta—I think we have given you some figures on the maintenance and capital works and things like that.

Senator FAULKNER—Yes, maintenance and capital works. What else do you have?

Dr Morauta—I think that is probably it, but I will just check.

Senator FAULKNER—Do you have staff costs?

Ms Hazell—I can provide you with staff costs, year to date.

Senator FAULKNER—Staff costs. I just want to go through the broad headings, if you like, or areas. Staff costs, alcohol consumption—

Ms Hazell—Correction, senator—alcohol purchases.

Senator FAULKNER—I am sorry; alcohol purchases—but we have had plenty of evidence previously that it has all been guzzled.

Senator FIERRAVANTI-WELLS—It has been consumed.

Senator FAULKNER—Yes. Alcohol purchase.

Ms Hazell—You have already got figures on repairs and maintenance for capital works.

Senator FAULKNER—Repairs and maintenance, yes.

Ms Hazell—We have a general figure for what we would call suppliers, which covers a range of purchases across a range of things. It is a general category in accounting terms for everything from buying a replacement sprinkler head for the garden to a new hose for the garden, and it includes the alcohol. It is all those supplies that you buy for the house—new linen, small amounts that are not capital.

Senator FAULKNER—Right. What other categories of information do you have?

Ms Hazell—Those are all the categories I have with me.

Senator FAULKNER—The cost of food, for example, would be very substantial, wouldn't it? It is, isn't it?

Ms Hazell—I could not comment without doing further work.

Senator FAULKNER—I am surprised that we do not have this sort of information available. You can tell us alcohol purchases but not food purchases.

Senator Minchin—It has been taken on notice.

Senator FAULKNER—It is pretty critical. We don't want our Prime Minister to—

Senator Minchin—What, overeat?

Senator FAULKNER—starve.

Senator Minchin—I thought you would worry about him overeating.

Senator FAULKNER—I am worried about a lack of transparency in these figures. That is what I am worried about. I find it quite extraordinary that we know alcohol purchases but not food purchases. I do not know whether this is an indication of some priority in the Department of the Prime Minister and Cabinet, but I do find that quite amazing. With regard to staff costs, you have them for the financial years from 2003-04 to April 2007; is that right?

Ms Hazell—I have a breakdown for 2005-06 and 2006-07. Given time, I could get a breakdown for the previous years.

Senator FAULKNER—Could you indicate staff costs for 2005-06?

Ms Hazell—\$534,025.

Senator FAULKNER—In giving us the staff costs for 2006-07, could you indicate the date for 2007?

Ms Hazell—It is up to 30 April. It is \$464,955.

Senator FAULKNER—You have given us the alcohol purchases. What is the repair and maintenance expenditure for the same period?

Ms Hazell—Repair and maintenance for 2005-06 was \$380,149; expenditure to 30 April 2007 is \$371,979.

Senator FAULKNER—That is obviously going to be significantly more. Finally, what is the figure for supplies?

Ms Hazell—Supplies for 2005-06 were \$390,933; expenditure to 30 April 2007 is \$369,605.

Senator FAULKNER—Are you able to indicate to the committee what categories of expenditure on the Official Establishments Trust are not included in that? I assume we know some, and it is fair to say the more major capital works are not included. I want to be clear on this: that is an assumption on my part. I think you had better confirm that for us.

Ms Hazell—It does include, I think you will find, capital works, bearing in mind that there has not been very much in the way of extensive capital works. I will need to double-check that.

Senator FAULKNER—It does not include expenditure on food. We know that.

Ms Hazell—Supplies include expenditure on food.

Senator FAULKNER—But you cannot disaggregate the food from the supplies—is that right?

Ms Hazell—Yes. Supplies include food and alcohol.

Senator FAULKNER—I see. Can you establish where capital works fit in?

Ms Hazell—Capital works are included in the figures I gave you for maintenance. It should have been maintenance and capital works.

Senator FAULKNER—Are there any categories of expenditure that are not included? It may not be disaggregated, I accept that.

Ms Hazell—There is another category under accrual accounting called depreciation. Technically, it is not expenditure until it is spent on replacing an asset. There is no cash expended. In terms of the figures you would see in the portfolio budget statements, which are based on accruals, depreciation is included. I do have figures on depreciation, if you want.

Senator FAULKNER—You may as well provide those to us too.

Ms Hazell—For 2005-06, \$104,553; up to 30 April 2007, \$62,071.

Senator FAULKNER—In terms of the furnishings for the Lodge and Kirribilli House, is there still an active engagement between the Official Establishments Trust and the Australiana Fund?

Ms Hazell—I think it would be fair to say there is engagement. I cannot personally verify that. It would depend on what you mean by ‘between’ the two.

Senator FAULKNER—There are items of artworks, craftworks and furniture that are the property of the Australiana Fund in both official establishments, aren’t there?

Ms Hazell—That is correct.

Senator FAULKNER—Is that still the case?

Ms Hazell—That is still the case.

Senator FAULKNER—Are the Australiana Fund and the Official Establishments Trust responsible for continuing to move elements of their funds collection through the official establishment? In other words, it is not a static loan, is it?

Ms Hazell—That is correct. However, it is a decision for the Australiana Fund to make, not a decision for officers of the department.

Senator FAULKNER—Are you able to say whether, since 1 July 2005—to use the time period that you have provided information on—there have been any major changes to furniture or fittings in either the Lodge or Kirribilli House?

Ms Hazell—I need to take that on notice. I do not have details of what changes have been made during that period to the funds collection in those residences.

Senator FAULKNER—It is not only the funds collection, is it? There are other furnishings, aren’t there? All the furnishings are not from the Australiana Fund. That is just an element of them, isn’t it?

Dr Morauta—Is the scope of your question to do with all the furniture in the building?

Senator FAULKNER—That is what I asked. Because we were canvassing the issue of the relationship between the Official Establishments Trust and the Australiana Fund, I understand why Ms Hazell interpreted my question like that. I am not critical of that at all. I am just going to the next step, which relates to other furnishings which obviously are not loaned from the Australiana Fund. I would have thought the majority would not be from the Australiana Fund. It is a very long time since I have been invited to either the Lodge or Kirribilli House, so I have not had any personal experience of this in the last 11 years.

Ms Hazell—I am advised that there have been no major changes of furniture and fittings during that time period, but I would like to take the question on notice to check that that is still the case—that I am correct on that one.

Senator FAULKNER—Thank you for that. Are there any changes that you would describe as minor that you are aware of and can report to us?

Ms Hazell—Not that I am aware of. I would need to take that on notice as well.

Senator FAULKNER—If you could take that on notice I would appreciate it.

Senator CHRIS EVANS—Can I just make clear that you are going to take on notice for me the occasions on which the Prime Minister has made reimbursement for private functions—the dates and the costs—in recent years. Is that our common understanding?

Ms Hazell—We will agree to take on notice how many times he has reimbursed for costs of a private nature relating to functions. I would need to check further, but I am not entirely sure that we would disclose how much he has reimbursed.

Senator CHRIS EVANS—Why not?

Ms Hazell—It is a private personal cost of the Prime Minister's if he has met the full cost of the activity.

Dr Morauta—Let us take it away and find out about how we should handle this. I am not sure myself.

Senator CHRIS EVANS—As I understand it, there are guidelines around these things. I do not know where one finds them. I know in answers to a few of the questions on notice you have referred to guidelines. Where are these sorts of guidelines contained? Are they just internal PM&C type things?

Dr Morauta—I am sorry; I am not in an area in which I have a lot of knowledge. We will take it on notice.

Ms Hazell—I think we will take it on notice.

Senator CHRIS EVANS—As to whether there are guidelines or not?

Dr Morauta—Yes, on the reimbursement matter.

Senator CHRIS EVANS—I was not particularly talking about guidelines in relation to the entertainment cost. In one of your answers it says that the functions are held in accordance with entitlements, and the Prime Minister personally meets the cost of any significant hospitality at the residence which is essentially of a private or family nature. It seems to me, therefore, that you would have to have a definition of entitlements to find out what falls outside entitlements. I take it from that that there is some sort of guideline as to what the Prime Minister's entitlements are in terms of official entertainment at his two residences. While we are on the subject, although you will take those questions on notice for me, I would appreciate knowing the costs, if you are able to provide them. Can you indicate whether there are guidelines regarding accommodation and sustenance costs for non-dependent children and guests of the Prime Minister when in residence at one of the two official residences?

Dr Morauta—In trying to shuffle bits of paper I have lost your question. Could you ask the question again.

Senator CHRIS EVANS—I thought I was the only one who did that. I was interested in the guidelines which apply to both non-dependent family members and guests when staying at the Lodge or Kirribilli House. I understand from one of your answers to a question on notice that, for instance, non-dependent children pay a contribution for accommodation and sustenance. I was going to ask you about what those rules were and also what the rules were for guests.

Ms Hazell—The best way I can answer that is: yes, once children are considered non-dependent, they make a contribution if they are staying at one of the official residences. It is based on how often they are there, how many meals they are there for—things like that. It is not something that easily follows a rule, if you know what I mean. They do make a contribution and they do meet the full cost of any items that might be called personal—for example, dry cleaning costs and things like that.

Senator CHRIS EVANS—That evidence is in relation to non-dependent children. Parents of children slightly older than mine—my eldest is 15—tell me that children are dependent for many years beyond that date. I think that Senator Faulkner and Senator Forshaw would attest to that. I understand they leave home at, on average, about 28 these days, which is quite frightening. I understand the trick is to move to smaller premises, which I am considering. What do we define as non-dependent?

Ms Hazell—It is probably easier to define ‘dependant’. For the purposes of these calculations, we use the definition: ‘A person under 16 or a person who is at least 16 but under 25 and is wholly or substantially dependent upon the person’.

Senator CHRIS EVANS—Do any of the Prime Minister’s children still fit the definition of dependant?

Ms Hazell—No.

Senator CHRIS EVANS—I think I knew he had two or three kids, but I do not follow the social pages of *Woman’s Day* or whatever closely enough to know the detail. So when staying at Kirribilli House or the Lodge, they make a contribution. Is it a nightly rate?

Ms Hazell—It is not a calculation. Now that they are non-dependent and not living at home anymore, if they come for a one-night visit then we would not normally take a contribution for the cost of the accommodation. It relates more to when they are living there on a longer term basis.

Senator CHRIS EVANS—The first night is free, but after that you charge—is that right?

Ms Hazell—That is not what I said.

Senator FAULKNER—They get to sleep over at mum and dad’s.

Senator CHRIS EVANS—Yes.

Senator FAULKNER—It is reasonable, in my view, by the way.

Senator CHRIS EVANS—I have no problem with that. I was intrigued by it when looking through your answers to questions on notice and I came across it. Obviously, dependant children are part of the family and at some time they become non-dependent. How do you calculate this rate if it is not a nightly rate?

Ms Hazell—It is reviewed regularly and adjusted in line with CPI.

Senator CHRIS EVANS—What is the rate?

Ms Hazell—I would have to take that on notice. I do not know what the current rate is. There is nobody living at the residences at the moment in this category.

Senator CHRIS EVANS—But the department has struck a rate?

Ms Hazell—I would have to take it on notice.

Senator CHRIS EVANS—Do you know who struck the rate?

Ms Hazell—I do not know exactly how the rate is calculated. It has been some time since the department has needed to use it.

Senator CHRIS EVANS—A calculation was made and then you indexed it by the CPI?

Ms Hazell—The last time it was used that is what happened.

Senator CHRIS EVANS—When was the last time it was used?

Ms Hazell—May 2006 is the last time it was used.

Senator CHRIS EVANS—Was that when one of the kids was living there for an extended period?

Ms Hazell—Yes, and that is when they departed.

Senator CHRIS EVANS—What were you charging at that time?

Ms Hazell—We would need to take that on notice. I do not have that with me.

Senator CHRIS EVANS—Clearly, you have the information around that time, but you cannot give me a rough idea of what the rate was in May 2006—is that right?

Ms Hazell—No, the information I have here is much older than that.

Senator CHRIS EVANS—The rate is older than that?

Ms Hazell—The information I have relates to a couple of years prior.

Senator CHRIS EVANS—What was the rate you had then?

Ms Hazell—We are not entirely sure the information I have is correct. I would prefer to take that on notice and check it.

Senator CHRIS EVANS—You are not sure the information you brought along to estimates is correct?

Ms Hazell—We need to check that we have it right.

Senator FORSHAW—Why do you think it is not right?

Ms Hazell—I have a figure but we are not sure about the date.

Senator FORSHAW—What leads you to think the date is wrong? If you have a figure and a date, why do you now think that information might not be correct? You must then have some idea of what the correct date or amount is?

Ms Hazell—No, I do not. It is just that the date looks a little out of the time frame.

Senator FORSHAW—I do not understand that. You have a figure and a date so you must have—

Senator CHRIS EVANS—Could someone just find out for us what the rate was in May 2006?

Ms Hazell—Someone has gone to do that.

Senator CHRIS EVANS—All right, maybe we will come back to that when you have the rate for 2006. Is that an all-up rate for food and lodging? Surely you do not work out how many meals they ate or anything like that?

Ms Hazell—It is meant to be an all-inclusive rate senator.

Senator CHRIS EVANS—So it is just nightly. I presume you do not have someone standing at the door checking in. Is it just the Prime Minister's household who notifies you or something?

Ms Hazell—We are normally advised when they come to live at one of the residences and we normally calculate it based on a weekly rate.

Senator CHRIS EVANS—A weekly rate. Well, as Senator Faulkner indicated, I have no objection to people popping in to stay with Mum and Dad so long as it is limited.

Senator FORSHAW—Could I just ask, for all of these questions you have been answering, is that only in relation to Mr Howard's immediate family—that is, his children—or does it encompass other persons who may have stayed at the residence?

Ms Hazell—It relates to immediate family.

Senator CHRIS EVANS—I started by asking if the same thing applies to the guests—for example, if Great Auntie Agnes comes for a month or something.

Ms Hazell—As far as we are aware it does not apply to guests. Guests, by nature of the definition, do not tend to stay very long.

CHAIR—And if you pay then you are not a guest really, are you?

Senator FAULKNER—Do not worry, Senator Fifield, like me, you will never be invited.

Senator CHRIS EVANS—Quite a few people around the room winced as you said that. I think you regretted it as you said it probably, having had the experience of guests who stayed too long.

Senator FORSHAW—Actually if the guest does not pay then the guest is a guest, but the other person might pay for them.

Senator CHRIS EVANS—I was being flippant, not serious. So the guidelines are effectively for non-dependent family members?

Ms Hazell—Yes, Senator.

Senator CHRIS EVANS—So you will come back to me with the rate but to the best of your knowledge none of the kids have been living there since May 2006 so there is no current situation.

Senator FAULKNER—One of the issues that has been raised in the past goes to energy use and water use of the official establishments. I know major efforts have been made at the official establishments to conserve water, which is to be commended. I wonder now if we could just get a bit of an update on how effective that has been. As I understand it, Ms Hazell, it has been effective. Is that right?

Ms Hazell—That is correct. Water usage at both residences has declined since the measures were put in place.

Senator FAULKNER—Good. Are you able to give us some figures that indicate that?

Ms Hazell—I can give you some figures for the Lodge. We have had a reduction of approximately 22 per cent between 2004-05 and 2005-06. We also have a figure for Kirribilli House of a reduction in water usage in 2004-05 of approximately 24 per cent.

Senator FAULKNER—Over the same period?

Ms Hazell—That is for 2004-05. The reason I have chosen those time frames is that it relates more directly to when the measures were put in.

Senator FAULKNER—All right. What about energy use such as electricity?

Ms Hazell—I do not have with me figures on energy use at either residence. I would need to take that on notice.

Senator FAULKNER—What about gas?

Ms Hazell—I do not have figures on gas usage for either residence.

Senator FAULKNER—There are no other energy forms used, are there? There is only electricity and gas at the two residences, isn't there?

Ms Hazell—That is correct.

Senator FAULKNER—Could you take on notice figures in relation to electricity and gas use at the Lodge and Kirribilli House from July 2003 to the current date—or 30 April 2007?

Ms Hazell—Yes.

Senator FAULKNER—And provide them on notice for us?

Ms Hazell—Yes.

Senator FAULKNER—Thanks. Just in relation to energy use, I suppose there are two elements to this: cost as well as quantum. Is that okay: cost and quantum? I think they are two different things.

Ms Hazell—I can provide both.

Senator FAULKNER—There was an audit of water usage at the official establishments, wasn't there?

Ms Hazell—Not as such, no. We have been reviewing water usage and ways to reduce it, but there has been no official audit as such.

Senator FAULKNER—Has there been an official or unofficial audit of energy use?

Ms Hazell—No.

Senator FAULKNER—Thank you. I want to ask something about the new PM&C building—that fits in here, doesn't it?

Dr Morauta—That is Ms Hazell again.

Senator CHRIS EVANS—Ms Hazell, before you go, I just missed something. I think on notice you gave us the water usage for the Lodge but not Kirribilli. I was distracted while Senator Faulkner was asking you about some of those issues. Do we have up-to-date figures for Kirribilli or not? I may have missed it as I was reading something at the time. I put

questions on notice after the last hearings. I think we got back the answer for the Lodge but we did not get one for Kirribilli.

Dr Morauta—We think we have got the information; we are just finding it.

Senator CHRIS EVANS—Do you agree we did not get the answer back on notice?

Dr Morauta—On 74.

Senator CHRIS EVANS—Yes. I might not have picked up that you had responded.

Dr Morauta—We can give you the information on water.

Ms Hazell—You asked about water usage at Kirribilli House.

Senator CHRIS EVANS—I lodged a question on notice, PM 74. Have you got the answer to that? Did that answer come in and I missed it or has it not come in?

Dr Morauta—We think it has not been provided yet; we are just checking.

Senator CHRIS EVANS—Do you have that there? Is it easier for you to table it than to take me through the answer?

Ms Hazell—I do have the answer here. The total amount of water used at Kirribilli House in 2003-04 was 3,670 kilolitres; in 2004-05, 2,799 kilolitres. There is an issue with the data for 2005-06, which was not valid. For 2006-07 to 5 January it was 1,651 kilolitres.

Senator FAULKNER—What is the issue with the invalid data?

Ms Hazell—There was a significant unexplained increase recorded in 2005-06, and discussions with Sydney Water failed to determine the cause of the unusually high reading. Given the large fluctuation, the department asked for the water meter at Kirribilli House to be checked to ensure the accuracy of future readings. Water usage decreased significantly after that. Indicative usage figures for 2006-07 indicate consumption will remain at around 2004-05 levels.

Senator CHRIS EVANS—Did you pay the bill for 2005-06?

Ms Hazell—Yes.

Senator CHRIS EVANS—What did you pay the bill on?

Ms Hazell—We paid the bill on what was provided to us from Sydney Water, even though we challenged it.

Senator CHRIS EVANS—What was that calculation?

Ms Hazell—That I do not have with me.

Senator FAULKNER—What was the increase from 2004-05 to 2005-06? Someone must know it if they felt that it was so major they challenged whether it was accurate or not.

Dr Morauta—I think that, whatever the number was, we were not satisfied that it was a sound number.

Senator FAULKNER—You may not be satisfied, but Sydney Water may be perfectly satisfied.

Senator CHRIS EVANS—The point is you paid the bill. That is the end of it, isn't it? You blued the bill and lost, so you paid the bill. So the taxpayers have paid whatever the bill was.

Senator FAULKNER—It is easy to say a bill comes in and it shows a massive increase in water usage and the excuse is, 'Oh well, I am not satisfied with that.' That is not necessarily the reason. A lack of satisfaction with the bill does not actually necessarily satisfy the questions we at this committee would have about it.

Dr Morauta—I can table the answer to PM74 now if that would be of assistance.

Senator CHRIS EVANS—Thank you. Does that include the answer to that—

Dr Morauta—It does, but it just says that the data for that year—we believed it was not valid, so we have not included it in the table.

Senator CHRIS EVANS—Was that why that answer was delayed?

Dr Morauta—Yes. I think we were hoping that we could get some satisfaction from Sydney Water on it, but we didn't get any satisfaction, did we?

Senator FIERRAVANTI-WELLS—It was totally out of sync with the previous years and the subsequent years; is that what you are saying?

Ms Hazell—That is basically it. There was a discussion of unexplained leaks that mend themselves coming from Sydney Water. We are not entirely sure about that. No leak could be detected when we went looking for one.

Senator FAULKNER—Unexplained leaks at Kirribilli House, hey?

Senator FIERRAVANTI-WELLS—Yes, well nothing surprises me about Sydney Water, Senator Faulkner, so we won't go down that route.

Senator FAULKNER—Nothing surprises me about leaks from Kirribilli House. There we are. Neither of us is surprised.

Senator CHRIS EVANS—Are we able to find the figure then for what we got charged—for what level of water consumption we got charged?

Ms Hazell—No. I think we need to take that on notice.

Senator CHRIS EVANS—So, despite it being the cause of delay in the question, the cause of concern et cetera, you actually don't know it?

Ms Hazell—I do not have it with me.

Senator CHRIS EVANS—Okay. You can take that on notice.

Senator FAULKNER—We might need to come back to the water issue at Kirribilli House depending on what the answer to that question shows, given we have not sighted it. But we may not need to.

Dr Morauta—I think it is being copied now.

Senator FAULKNER—Chair, I was going to ask a brief question about the new PM&C building. As I understand it, that is under this output. Very briefly, Ms Hazell, I am keen to know how it is going, whether there have been any teething problems at all.

Ms Hazell—As with any brand new building, there are issues. We have a 12-month period in which any issues we discover will be fixed. There are a number of issues like balancing the air conditioning, finetuning the lighting, things like that; they are natural in a new building.

Senator FAULKNER—But generally it is going well?

Ms Hazell—I would have to say generally it is going well, yes.

Senator FAULKNER—Is it true that there are problems with mobile phone usage and coverage throughout the building?

Ms Hazell—Mobile phone coverage is not what you would call ideal, and we are investigating options to try and remedy that. It stems from the fact that the building has a lot of steel in it.

Senator FAULKNER—So you think that can be addressed? That is one of the problems that you have been able to identify.

Ms Hazell—It is one of the issues that we are currently looking at ways and means of addressing, yes. Whether you would consider it a defect in building construction—it is not a building construction defect issue.

Senator FAULKNER—But there are no defects in the building construction that have been discovered?

Ms Hazell—There are issues with the building in terms of, as I said, lighting, air conditioning. Some of the joinery has had to be replaced—sliding runners on drawers and joinery, things like that. They are all a normal part of the process of moving in.

Senator FAULKNER—Right.

Ms Hazell—But there have been no major show-stopping issues, no.

Senator FAULKNER—I see.

Dr Morauta—And the contract provides for a warranty and defect period. That is pretty standard in building, so that there is a time for the occupant to come back to the owner and back to the builder to get these matters fixed within the price.

Senator FAULKNER—Fair enough. In relation to this question on notice regarding the water consumption, do we have the invalid data or what is described as ‘data not valid?’

Dr Morauta—Yes, we do.

Ms Hazell—Yes, we do. We have a figure for water consumption for 2005-06 of 6,414 kilolitres.

Senator FAULKNER—So the situation is: in financial year 2003-04, 3,670 kilolitres; in 2004-05, 2,799 kilolitres; then, in 2005-06, 6,414 kilolitres. For half the financial year 2006-07, it is 1,651 kilolitres. Your claim is that that massive increase to 6,414 kilolitres is just because of invalid data. Sydney Water accept that it is invalid data, do they?

Ms Hazell—I think Sydney Water accept that there is a major unexplained variation. I would be reluctant to put more words than that into the mouths of Sydney Water.

Senator FAULKNER—Fair enough. I would be very concerned about that increase, which is just a massive increase in kilolitres—it is more than double the previous year—and certainly considering the real concern in terms of the water supply in Sydney. But no-one has been able to find out why?

Ms Hazell—No.

Senator CHRIS EVANS—But you have been forced to pay the bill?

Ms Hazell—Yes.

Senator CHRIS EVANS—It was for 2005-06, so I presume this question of the bill got settled some time ago, did it?

Ms Hazell—Yes.

Senator CHRIS EVANS—When was it settled?

Ms Hazell—I would have to take on notice when we paid the bill.

Senator CHRIS EVANS—But it was not in recent months?

Ms Hazell—No.

Senator CHRIS EVANS—So the delay in answering the question wasn't because you were still negotiating the outcome of the disagreement over the usage rate?

Ms Hazell—I think it would be fair to say we were still exploring further with Sydney Water what may have happened. It is a bit like all utilities—you pay your bill and then you keep on discussing the size of the bill.

Senator FAULKNER—Isn't it possible you used that much water?

Ms Hazell—It seems unlikely. There was no particular change in usage patterns that we could detect.

Senator CHRIS EVANS—Compare it with the wine usage!

Senator FAULKNER—Yes, well there is an increase in the wine usage, that's for sure. There is obviously a liquid problem at Kirribilli House! Wine consumption is going up and the water usage has gone through the roof.

Senator FIERRAVANTI-WELLS—Senator Faulkner, that is a bit lavatory even for you.

Senator CHRIS EVANS—You should get the breakdown on the fish.

CHAIR—Any further questions on official establishments?

Senator FAULKNER—Personally I have got nothing further to ask on the official establishments, given that most of the questions I have asked have not been answered.

CHAIR—Senator Evans?

Senator CHRIS EVANS—I have a couple of travel questions, so it is not on official establishments.

CHAIR—Anything in output group 4?

Dr Morauta—I think it might be.

Senator CHRIS EVANS—I wondered how we were going on the nightly rate question.

Ms Hazell—We took that on notice.

Senator CHRIS EVANS—I got the impression you were looking now—that was your evidence.

Ms Hazell—We haven't got anything back yet.

Senator CHRIS EVANS—I will wait. I just wondered whether you had it back.

Ms Hazell—No.

Senator FAULKNER—Just on the Lodge, was there any damage at the Lodge as a result of that severe storm?

Ms Hazell—Yes, there was significant damage to the grounds during the storm on 2 November 2006. Do you want me to go through it item by item?

Senator FAULKNER—No, I just wanted to get the general picture because I wondered about that.

Ms Hazell—We did lose a number of trees at the Lodge—eucalypts, white cedars, branches off other trees which damaged parts of the garden as well.

Senator FAULKNER—Right. But nothing to the actual house itself?

Ms Hazell—No damage to the house, no.

Senator FAULKNER—So no flooding or anything like that? Flooding was a problem in that area, wasn't it?

Ms Hazell—No, no flooding.

Senator FAULKNER—What about the PM&C building itself? Did you have any damage to the new building as a result of that 2 November extreme weather incident?

Ms Hazell—We did not move into the new building until 16 February, so we would not necessarily be aware if there had been any problems with the building in that storm.

Senator FAULKNER—I wondered if there might have been any flooding damage or the like. So the building is watertight; you can confirm that—well, watertight as far as water is concerned?

Ms Hazell—It is still a little difficult to tell. As you might have noticed, we have not had much rain since 16 February.

Senator FAULKNER—No. I am pleased to see there are no flooding problems at PM&C. That is good. There have been enough leaks around here!

CHAIR—Are there any other questions for output group 4?

Senator CHRIS EVANS—I would like to ask a couple of questions about travel. I got back some of the answers to the questions on the Prime Minister's travel from the February estimates hearing. I thank the department for the answers, although a number of them were incomplete. We got the Vietnam 2006 visit costs and those for Malaysia and the Philippines, but we are awaiting advice as to the costs of the Republic of Indonesia trip in June 2006 and the Republic of the Fiji Islands trip in October 2006. Do you now have that information?

Mr Borrowman—No, I am afraid we do not yet have that information. Obviously, we will make it available as soon as we do. Unfortunately there are often quite long delays in these accounts being brought to book in terms of our receiving them.

Senator CHRIS EVANS—It seems a bit odd that we can get bills for November 2006 and January 2007, but you cannot help us with June 2006 or October 2006.

Mr Borrowman—I can look into what the specific reason is, but I would be fairly confident it is simply that we have not received the accounts.

Senator CHRIS EVANS—I am sure the Sheraton Fiji Resort is not slow in sending a bill.

Dr Morauta—It may be only one or two bills outstanding that are causing the delay in finalising it. I do not have any information.

Senator CHRIS EVANS—So you are awaiting advice from the Department of Finance and Administration? Do the bills go to them or are the bills picked up by the host nation and then they seek recompense from you?

Mr Borrowman—In respect of the first part of your question, about Finance and Administration, I am not quite clear. In respect of the second one, it would depend on whether the visit was a guest-of-government visit or not. If it were a guest-of-government visit, the normal practice is that the host government would simply pick up the bills for the official party, which is not necessarily everybody who travels. Sometimes our official party is bigger than the host government would sponsor, and that is the same for us. Obviously, if we are paying it on our own recognisance then the bills come back to us.

Senator CHRIS EVANS—Sure—which is why, in some of these other trips, the Prime Minister's accommodation was paid, but you still had quite large accommodation and travel costs. I presume that was because other members of the party were not hosted, or do you pay the travel costs on all occasions anyway?

Mr Borrowman—Our normal practice is that we pay the travel costs and hosts pay in-country costs, similar to the practice that we extend to other countries where it is a guest-of-government visit.

Senator CHRIS EVANS—Who chooses the hotels? Is it a function of the host government, or do you choose the hotels?

Mr Borrowman—Again, it would depend on what the visit was. If we were the guest of that government then normally they would propose the hotel. If it is an outward visit where we are travelling under our own steam, as it were, then the Secretary of the Department of Prime Minister and Cabinet makes the determination on which hotel to stay in.

Senator CHRIS EVANS—So, if the Prime Minister's accommodation is being picked up by the Australian taxpayer, we would have chosen the hotel.

Mr Borrowman—That is right.

Senator CHRIS EVANS—Is that a fair rule of thumb?

Mr Borrowman—Yes.

Senator CHRIS EVANS—Why did it cost us \$3,000 a night for the Prime Minister in Ho Chi Minh City? It seems an extraordinary amount of money.

Mr Borrowman—I would have to take it on notice to find out exactly why. When he was in Ho Children Minh City, it was of course for the APEC meeting, so there would have been 20 other economies in town, but I would have to take that on notice and look into why it was specifically that expensive.

Senator CHRIS EVANS—Because it was \$1,300 a night in Hanoi, but when he stayed at the Park Hyatt Saigon hotel in Ho Chi Minh City it was \$2,962 a night, which seems to be extraordinary.

Mr Borrowman—Sorry, I would like to correct my previous answer, because of course the APEC meeting was not in Saigon. So I would have to check specifically why that hotel was so expensive.

Senator CHRIS EVANS—I think we refer to it as Ho Chi Minh City now, don't we, Mr Borrowman, not Saigon?

Mr Borrowman—Yes, the locals refer to it as Saigon.

Senator CHRIS EVANS—But I knew you would be more politically correct than that, Mr Borrowman! I have taught myself. As I say, I was quite taken aback by the \$3,000 per night rate. APEC was actually in Hanoi, and the Prime Minister also spent some time in Ho Chi Minh City; is that right?

Mr Borrowman—That is correct. He made a bilateral visit to Vietnam in conjunction with the APEC meeting.

Senator CHRIS EVANS—Do you know how many nights he was in Ho Chi Minh City?

Mr Borrowman—Not off the top of my head, but I can find out for you and get back to you in a few minutes time.

Senator CHRIS EVANS—Thank you. So have we got any idea of when we are likely to get information on those 2006 trips?

Mr Borrowman—I cannot answer that in the abstract, Senator, but I can look into what were the specific outlays on those two trips and get back to you.

Senator CHRIS EVANS—Senator Faulkner, you are waiting for the answer from a question about three or four years ago, aren't you, on the cost of hotel accommodation?

Senator FAULKNER—I believe so, Senator Evans. I am losing confidence that I will receive it.

Senator CHRIS EVANS—Well, hopefully, Mr Borrowman will be more helpful to me than—

Senator FAULKNER—Than he was to me?

Senator CHRIS EVANS—I am not sure that Mr Borrowman is responsible for—was it 2004?—the fact that you are still waiting.

Senator FAULKNER—I do not blame him.

Senator CHRIS EVANS—I will await your advice, Mr Borrowman, and you will get back to me today on the Ho Chi Minh City situation in terms of the number of nights, at least, but maybe not as to why it was so expensive.

Dr Morauta—Senator, we have some answers to questions we took last night on the inquiry into matters relating to Private Mackelmann, if you would like those now. We can bring Mr Lewis back to the table.

Senator CHRIS EVANS—Just before you go, Mr Borrowman, I just found a note. Was the reason that hotel was \$3,000 a night perhaps because the Prime Minister was in the Presidential Suite? Does that ring a bell?

Mr Borrowman—Senator, I will check in the context of the inquiries that I am already making.

Senator CHRIS EVANS—All right. Yes, I have got a note here that he might have been in the Presidential Suite, which is apparently 160 square metres and has a whirlpool bath, you will be pleased to know. Anyway, perhaps you could get back to us on that.

Mr Borrowman—Yes, Senator.

Senator CHRIS EVANS—Thank you.

Dr Morauta—Mr Lewis is available now if that would be convenient.

Senator CHRIS EVANS—Thank you.

Mr Lewis—Senator Evans, just to come back to you on five or six questions you posed last night with regard to the issue of Pilot Officer Mackelmann. The first one you asked was: is the review on Pilot Officer Mackelmann to be made public? We are not aware of any intention to do so at this stage. The review was commissioned by the PM, and the release of the review would be a matter for the PMO. It is highly likely that there would be privacy considerations for both the Mackelmann family and people mentioned in the review. At this point there is no intention to do so and it would be the PMO's call.

Senator CHRIS EVANS—Thank you for that.

Mr Lewis—The second question was: is Captain Mackelmann, Pilot Officer Mackelmann's father, subject to a confidentiality clause. No, there was never any attempt to impose such a condition. The third question you asked was: who has received copies of the review? I am able to say that the Hon. Neil Brown provided the review to the Prime Minister; the PMO has distributed copies of the review to Captain Mackelmann, father, the Minister for Defence, the Minister assisting the Minister for Defence and the Department of Prime Minister and Cabinet.

Senator CHRIS EVANS—Thank you.

Mr Lewis—Your fourth question was: were the findings of the review announced? The answer is no. The fifth question was: is there any intention of announcing the findings? We are not aware of any intention to do so at this time.

Senator CHRIS EVANS—'Not aware' means no, I presume.

Mr Lewis—It would be up to the Prime Minister. He commissioned the inquiry and it would be up to him to make any decision with regard to whether there was going to be an announcement of the findings. As I mentioned before, there are likely to be privacy considerations for the Mackelmann family and people mentioned in the review. That would be something to be taken into consideration.

Senator CHRIS EVANS—I do not want to be argumentative but, given that it was done on the papers—on the basis of the evidence of earlier inquiries—why would that be? I am not necessarily arguing for its public release.

Mr Lewis—I am not sure, but I could almost be certain that not all of the content of all of those inquiries would have been made public. For instance, there would have been the details of the air crash investigation, the departmental inquiry and so on. I expect that most of that information has not been put on the public record.

Senator CHRIS EVANS—Even during previous inquiries?

Mr Lewis—Yes.

Senator CHRIS EVANS—Thank you.

Mr Lewis—The final question you asked was: did Mr Brown conduct interviews or gather evidence in preparing the report? The answer is no. Mr Brown did speak with Captain and Mrs Mackelmann—the young pilot's mother and father—during the review. He did that by telephone, but he conducted no interviews.

Senator CHRIS EVANS—Thank you for that.

[5.37 pm]

CHAIR—We will now move to the Department of the Prime Minister and Cabinet output group 1.

Senator CHRIS EVANS—Can I firstly ask a couple of questions on whether PM&C has had any involvement in or commissioned any work on the economic impacts of climate change on Australia.

Ms Goddard—No, PM&C has not commissioned any.

Senator CHRIS EVANS—Are you aware of whether any other departments have done work on the economic impacts of climate change? We asked Treasury at the last estimates and it seemed that they had not done any. I thought that, as the coordinating agency and chair of every IDC known to mankind, you might be best placed to let us know.

Ms Goddard—I am not aware of any department having been asked to do work on the economic impacts of climate change in the sense of a Stern review type analysis.

Senator CHRIS EVANS—I was not even after anything quite so major but whether or not you commissioned work or accessed work from others. There has been nothing commissioned that you know of?

Ms Goddard—No, nothing in that sense of the economic impact of climate change on the economy more broadly.

Senator CHRIS EVANS—What about on environmental and other impacts—health et cetera? Has that sort of work been occurring?

Ms Goddard—No; I am not aware of any work in that area.

Senator CHRIS EVANS—So is it fair to say that the only major work occurring currently is that by the carbon trading task force?

Ms Goddard—Yes. As I think I indicated in one of my answers yesterday, they have commissioned some modelling and analysis relevant to their terms of reference, and they will be reporting at the end of May, as you know. I did get some more information for you on the consultancies that you were asking about yesterday in relation to the task group.

Senator CHRIS EVANS—Could we have that now?

Ms Goddard—Five consultancies have been started by the task group. One is from Baker and McKenzie for research papers on markets and linkages. That one is for \$24,750. One is from ACIL Tasman for some work on energy market analysis. That one is for \$60,000. Some modelling work has been commissioned from ABARE, but that work is ongoing. The final cost has not yet been agreed, so I cannot give you a cost estimate. And it is the same with the final two: work commissioned from CSIRO for a research paper around emissions entitlements and, finally, work from Wilton Hanford Hanover for editing services.

Senator CHRIS EVANS—Are they putting together the final report?

Ms Goddard—Yes, they will edit the final report.

Senator CHRIS EVANS—What is that contract worth?

Ms Goddard—All the work with that one and the work with CSIRO and ABARE is ongoing, and a final cost has not been agreed.

Senator CHRIS EVANS—Are you aware of any major work occurring outside of that task group on the impacts of climate change?

Ms Goddard—No, I am not.

Senator CHRIS EVANS—Do you have an IDC going?

Ms Goddard—No work has been commissioned on the economic impacts of climate change per se that I am aware of. There is no IDC in PM&C. On the related issue of the economic cost of greenhouse reductions, which is different I think to the economic cost of climate change, I understand that Treasury has commenced some work to start building up the APS's capacity in that area.

Senator CHRIS EVANS—Is that on the cost of reducing greenhouse gas emissions?

Ms Goddard—The economic cost of greenhouse gas emissions reductions.

Senator CHRIS EVANS—So Treasury has started some work on that?

Ms Goddard—Yes, that is right.

Senator CHRIS EVANS—What work did PM&C do in relation to the change in industrial relations policy announced on 4 May by the Prime Minister? Was that as a result of a process run inside the department?

Ms Goddard—No. The government decided on the policy changes and PM&C officials have been involved in developing the detail of the changes, including advice to ministers in the final stages of the process.

Senator CHRIS EVANS—When was the cabinet decision?

Senator Minchin—On?

Ms Goddard—The fairness test.

Senator Minchin—It was agreed in the cabinet meeting in Brisbane on 24 April, the day before Easter.

Senator CHRIS EVANS—So on 24 April there was a cabinet decision. Did you prepare a submission for that meeting, Ms Goddard?

Ms Goddard—No, we didn't.

Senator CHRIS EVANS—Was that handled by the department of industrial relations or whatever they are they called now?

Senator Minchin—I am not sure we need to necessarily go into detail of what documents may or may not have been prepared for the cabinet. The point is: the cabinet made a decision that day to introduce a fairness test.

Senator CHRIS EVANS—I am just trying to find out who had carriage of it. PM&C did not have carriage of a proposition. I will ask IR the same question. So arising out of the cabinet decision was there a sort of working group or an IDC set up to implement the decision?

Ms Goddard—There was a small group of officials—one from PM&C, two from DEWR and I think somebody from the Australian Government Solicitor—working together on the details of the changes just ahead of the Prime Minister's announcement.

Senator CHRIS EVANS—Did they form inside PM&C or was this just phone work?

Ms Goddard—They were located for a few days in Sydney in that week of the Prime Minister's announcement. Both the Prime Minister and Minister Hockey were in Sydney, so they were located close to those ministers.

Senator CHRIS EVANS—They were down in the parliamentary offices in Sydney, were they?

Ms Goddard—I do not know exactly where they were. They were in a location very close to Mr Hockey's office.

Senator CHRIS EVANS—So there was one from PM&C. How many from DEWR?

Ms Goddard—There were a few. I don't know the exact number. It is a small group of people.

Senator CHRIS EVANS—And someone from the Australian Government Solicitor's office?

Ms Goddard—That is my understanding.

Senator CHRIS EVANS—What was the rank of the officer from PM&C?

Ms Goddard—It was a section head officer, an EL2.

Senator CHRIS EVANS—Out of the economic branch?

Ms Goddard—The tax, super and workplace relations branch.

Senator CHRIS EVANS—Were there senior DEWR officers involved in this?

Ms Goddard—Yes, I understand there were senior DEWR officers—deputy secretary level and below.

Senator CHRIS EVANS—And they worked on the detail of the cabinet announcement with a view to supporting the Prime Minister's announcement on 4 May.

Ms Goddard—That is right. They worked on the details of the policy changes to support the announcement on 4 May, and officials have continued to provide advice subsequently—obviously from their Canberra bases—in preparation for the introduction of legislation.

Senator CHRIS EVANS—So they worked on providing support for the announcement the Prime Minister made on 4 May. They were then subsequently working on the development of policy or the drafting of legislation? Has this gone off to the draftsman?

Ms Goddard—Yes, the draftsmen are involved, but it is just working on the final details to be resolved to support the detail of the legislation.

Senator CHRIS EVANS—You do not usually engage the draftsman until you finalise that policy detail, do you? I am just trying to understand how this is working.

Ms Goddard—It is all part of the same process. Everybody is working on it together.

Senator CHRIS EVANS—So to this group that you formed you added a parliamentary draftsman.

Ms Goddard—Yes, the group is not co-located anymore; they are just providing advice to Minister Hockey and the Prime Minister. DEWR would be able to give you more details of the drafting side of the process, but I imagine that the Office of Parliamentary Counsel is involved.

Senator CHRIS EVANS—Is it fair to say that PM&C no longer has the carriage of this?

Ms Goddard—It is fair to say that DEWR has the lead, yes.

Senator CHRIS EVANS—Was that effectively handed over after the Prime Minister's announcement on 4 May?

Ms Goddard—It has been a joint process all along, and obviously the Prime Minister is very closely involved, but the lead portfolio with responsibility is DEWR and the Minister for Employment and Workplace Relations.

Senator CHRIS EVANS—Was someone from the Prime Minister's office engaged with this group as well, working on the details?

Ms Goddard—I understand both the Prime Minister's office and Mr Hockey's office were involved in that process.

Senator CHRIS EVANS—This is in the lead-up to the 4 May announcement?

Ms Goddard—That is correct.

Senator CHRIS EVANS—Did they have an officer each assigned to the working group?

Ms Goddard—I think they were more popping in and out and having discussions as details were being developed by the officials.

Senator CHRIS EVANS—Did the original cabinet submission then come out of the PMO, as it did not come out of PM&C?

Senator Minchin—I said I was not going into detail about what documents may or may not have been before the cabinet when it made its decision. Cabinet made a decision to have this fairness test and then work was commissioned to give effect to it.

Senator CHRIS EVANS—Yes, but it is usually a lead agency or there is some document. Even on the \$350,000 for the Britannia Coach, we found out that at least the Prime Minister took in a letter that he had received requesting the money, even if PM&C did not know anything about it. There is usually a basis for a cabinet decision. Are you saying there was not any cabinet submission prior to the decision being made?

Senator Minchin—I am not going to go into what, if any, documentation may or may not have been relied upon by cabinet in reaching a decision to propose an amendment to the Workplace Relations Act. What I am confirming is that cabinet made that decision on 24 April. Obviously, the act is the responsibility of the Minister for Employment and Workplace Relations and he has the primary carriage.

Senator CHRIS EVANS—Is the proposed legislation subject to a further cabinet decision or is that cabinet process concluded?

Senator Minchin—That would be concluded.

Senator CHRIS EVANS—You do not necessarily see the ledger when it comes back.

Senator Minchin—No, that is not normal. It goes to the backbench committee in the party room.

Senator CHRIS EVANS—For the sake of form?

Senator Minchin—It is very important that we consult with our backbench committees. Many a minister has run foul of the backbench committee, let me assure you.

Senator CHRIS EVANS—Is there any funding associated with this decision or is it all internal departmental work?

Ms Goddard—There will be funding associated with it and DEWR would be best placed to answer those questions.

Senator CHRIS EVANS—The funding is to deal with what might occur if the legislation is implemented rather than—

Ms Goddard—Yes. There is no funding associated with the work leading up to the announcement but there will be funding necessary to implement the policy if and once the legislation is passed.

Senator CHRIS EVANS—If the legislation is passed by the Australian parliament.

Ms Goddard—Correct.

Senator CHRIS EVANS—We do not want to anticipate the views of the parliament. Effectively, carriage is passing to Mr Hockey and his department. Is there an intention for an ongoing role for PM&C in this?

Ms Goddard—We would continue to brief the Prime Minister, as we have over the last couple of years, on any workplace relations policy issues that arise. We would also take a general interest in monitoring implementation of the reforms, to stay in touch.

Senator CHRIS EVANS—Did you involve yourself in any process of consultation with interest groups or outside groups prior to the finalisation of the Prime Minister's announcement?

Ms Goddard—No, we were not involved.

Senator CHRIS EVANS—So your only engagement was the participation on the working group by one officer as the details for the Prime Minister's announcement were finalised?

Ms Goddard—That is correct.

Senator CHRIS EVANS—Thank you for that.

Dr Morauta—I have one catch-up answer. It actually relates to a question from Senator Wong and she is not here. I do not know whether I should hold it until she returns.

Senator CHRIS EVANS—I am not sure that Senator Wong is coming back tonight. She is supposed to be in the environment estimates at the same time.

CHAIR—Please share.

Dr Morauta—She asked us questions about the LPG conversion grant advertisements. We undertook to provide information. I have a copy of the advertisement which I could get for you. I can advise you that it ran in national, metropolitan, regional and rural newspapers in the period 13 to 27 August 2006. It was advising people about the availability of these grants. The advertisements were half-page in size.

CHAIR—Thank you.

[5.56 pm]

CHAIR—We will move to output group 2.

Senator CHRIS EVANS—I have a couple of questions on the social policy area. Can I ask about the Realising Our Potential announcements—the education budget announcements. What was PM&C's engagement with that policy development?

Ms Wilson—PM&C provided the Prime Minister with advice and briefing in the context of that package. That was our normal policy coordination role. We were also a member of a task force that was established for developing the details of the package.

Senator CHRIS EVANS—When was the task force formed?

Ms Wilson—It commenced work in late March and worked through to the budget.

Senator CHRIS EVANS—Did PM&C chair the task force or was it Education?

Ms Wilson—The task force was led by Treasury.

Senator CHRIS EVANS—Who participated in that?

Ms Wilson—The members were PM&C, Treasury, Finance and Administration and, of course, Education, Science and Training.

Senator CHRIS EVANS—And the task force worked it up as a budget proposition?

Ms Wilson—Yes.

Senator CHRIS EVANS—Thank you for that. I will have to ask Treasury about that in more detail. Have you briefed the Prime Minister on the incidence of school bullying?

Ms Wilson—I am afraid I do not have that information with me. I would have to take that on notice.

Senator CHRIS EVANS—You do not know whether or not you have provided a briefing on school bullying?

Ms Wilson—No, I am sorry, I cannot answer that at this minute.

Senator CHRIS EVANS—If the Prime Minister were to be briefed on school bullying, would it be by you?

Ms Wilson—Yes, it would be from my division.

Senator CHRIS EVANS—You are not aware that he has been briefed in recent times on that issue?

Ms Wilson—No, I would need to take that on notice.

Senator CHRIS EVANS—Have you been doing any work on the question of school bullying inside your division?

Ms Wilson—Not in any detail.

Senator CHRIS EVANS—So what does that mean? Have you been doing some work on school bullying or are you just aware of the broader issue?

Ms Wilson—I am aware of the broader issue, I think would be more accurate to say.

Senator CHRIS EVANS—So you have not been engaged in any sort of policy development in the school bullying area?

Ms Wilson—Not to my knowledge specifically. As I said, I would have to take on notice the question of whether we have done any briefing.

Senator CHRIS EVANS—All right. Thanks for that.

Senator MOORE—Ms Wilson, how many people in your division at the moment? What is the staffing level?

Ms Wilson—I am not sure, I think it is around 65 but I will just confirm that if I may. Sixty-four.

Senator MOORE—The questions that I have got in front of me are to do with the COAG approach to Indigenous disadvantage and the decision that was made to set up a working party. I am not sure whether it was a working party or a task force; the information I have is that it was a working group that COAG set up to look at the issues of long-term generational commitment to look at Indigenous disadvantage. Have I got any of those terms accurately?

Ms Wilson—Senator, I believe the title is the COAG Working Group on Indigenous Generational Reform. Is that what you are possibly referring to?

Senator MOORE—And what is the status of that working group at the moment?

Ms Wilson—It is an ongoing working group. Mr Shane Hoffman, my colleague who is the Assistant Secretary of the Indigenous Policy Branch, is a Commonwealth representative on that working group. It is chaired by the Northern Territory.

Senator MOORE—Hello, Mr Hoffman. Have there been reporting dates for that particular working group? Did you have a format that there were stages of reports that we were expecting on how that working group was going?

Mr Hoffman—Senator, the working group reports to COAG and has reported to COAG at the last meeting in April.

Senator MOORE—April 2007 there was a report given there. Do you know whether that report is public?

Mr Hoffman—The report is not public.

Senator MOORE—I am sorry, I missed that.

Mr Hoffman—The report isn't—has not been made public.

Senator MOORE—I am sorry. The crucial word was that one and I missed it; so it is not public.

Mr Hoffman—It has not been made public.

Senator MOORE—Are you aware of any plans to make it public or not in your status as a member of that working group?

Mr Hoffman—No, I do not believe so.

Senator MOORE—What role does PM&C have—or your particular involvement? What is your role in that working group and can you tell us who else is on it?

Mr Hoffman—I am a member of the working group. As Ms Wilson said, the working group is chaired by the Northern Territory.

Senator MOORE—From their Chief Minister's Office ?

Mr Hoffman—From the Chief Minister's Department. Each jurisdiction, including the Commonwealth, is represented by two agencies. All first ministers' departments; from the Commonwealth, PM&C and FaCSIA are the Commonwealth representatives, and all states and territories are also represented, as is the Australian Local Government Association.

Senator MOORE—Right, so we have got representation from every COAG member plus the Local Government Association in terms of looking across the whole role. In terms of the public involvement or awareness of what is going on, have there been any reports to your knowledge that have been made public on this group?

Mr Hoffman—There have been no reports made public.

Senator MOORE—How many people provide the secretariat for the working group?

Mr Hoffman—The secretariat is provided by the Northern Territory Department of the Chief Minister.

Senator MOORE—Linking in with the chairing role—they have the secretariat role as well?

Mr Hoffman—That is correct, so I could not tell you how many people are involved.

Senator MOORE—Are you aware of how much funding has gone to this particular working group so far? Has that been made public?

Mr Hoffman—At the last COAG meeting on 13 April, COAG agreed to provide funding in the order of \$1.8 million for two initiatives, one addressing data gaps and improving national surveys and the other around setting up a clearinghouse and the costs to be shared 50 per cent by the Commonwealth and 50 per cent by the states and territories.

Senator MOORE—And the timeframe for that, Mr Hoffman?

Mr Hoffman—That is annual.

Senator MOORE—So that is \$1.8 million for the year 2007-08?

Mr Hoffman—It depends when the clearing house commences and the data work commences. If the clearing house, for example, commences in January then it would be half or pro rata.

Senator MOORE—So the money has been committed as of that last meeting and one year's funding has been agreed at that, and any future would have to be renegotiated at future COAGs. Would that be your understanding?

Mr Hoffman—My understanding is that COAG agreed they would continue to fund this work for a number of years.

Senator MOORE—Do you know how many? Are you aware, Mr Hoffman or Ms Wilson, whether there has been a public announcement of exactly what this funding commitment is—for how long?

Ms Wilson—I am not aware that there has been. I understand that the inference is that if you are setting up something like a clearing house function then it would have an annual cost once it was established, and COAG agreed to support that annual cost but there was no discussion of the specifics for how long.

Senator MOORE—My understanding from FaSCIA experience is when you are setting up something like that you give it funding for a five-year period and you see how it goes. This was not the agreement of COAG?

Ms Wilson—That level of detail has not yet been worked through, as I understand it.

Mr Hoffman—The arrangements for the funding are to be settled with senior officials and that will be done out of session.

Senator MOORE—So they have got the threshold agreement. Would you call it a threshold agreement to the funding?

Mr Hoffman—That would be correct.

Senator MOORE—And the details of how and what is going to happen, we are waiting for the fine print. Would that be right?

Mr Hoffman—That is correct.

Senator MOORE—Can you make a wild stab about when that would be public?

Mr Hoffman—A wild stab would probably be within the next three months.

Senator MOORE—Has COAG agreed to another meeting? Have you got a formal meeting planned for the next one?

Mr Hoffman—For the working group?

Senator MOORE—For the working group, yes.

Mr Hoffman—Yes, there is a teleconference scheduled for 13 June.

Senator MOORE—So there will be a teleconference in June; you have got your COAG agreement to the funding in April. Your working group should know in June the detail that we have been talking about here—you would hope.

Mr Hoffman—I understand there will be two papers coming to the working group around those two issues. The working group will then make some decisions about the establishment or taking that work forward and we would need to get costings agreed with Finance. Those are the sorts of things that are always done when there is a measure that the Commonwealth is funding.

Senator MOORE—Who is writing those papers?

Mr Hoffman—I believe the secretariat is preparing the papers.

Senator MOORE—Your understanding would be that the NT government is doing that. So they are preparing the secretariat function for further discussion at your teleconference in June?

Mr Hoffman—Yes, they will provide the papers for discussion in June.

Senator MOORE—And what is your understanding about what those papers would be about? What do you expect those papers to look at?

Mr Hoffman—For example, the one on data gaps and national surveys improvements would provide information on where the gaps are and what areas need to be covered and likely costs—so a more detailed costing and how those costs might be shared, because there has to be agreement. Whilst there has been agreement the Commonwealth will pay for 50 per cent; the share amongst the states has to be agreed.

Senator MOORE—Okay.

Mr Hoffman—I understand that the clearinghouse paper will address a procurement process—how we might go about procuring the services of an appropriate body to provide that service and details of the service to be provided. Again, once the procurement process is agreed, that will give us a better idea of final costings.

Senator MOORE—Is the \$1.8 million a COAG commitment or a federal commitment?

Ms Wilson—COAG has committed to establish the jointly funded clearinghouse and to address the data gaps. That was the estimate of the cost that was considered around the preparation for COAG. But, as my colleague Mr Hoffman has suggested, working through the fine detail is yet to occur within the working group.

Senator MOORE—So there is no cap on that \$1.8 million? If the detail papers that come back for consideration indicate that it could be more than \$1.8 million, there has been nothing to stop that happening in the decisions so far? It is not a decision up to \$1.8 million?

Ms Wilson—Not to my understanding. I think the proposition would need to go back to senior officials for sign-off and recommendation to COAG around the specifics.

Senator MOORE—So at this time now there has not been any formal commitment of funding from anyone?

Mr Hoffman—There has been a public commitment by COAG—

Ms Wilson—To establish these functions.

Senator MOORE—To some figure which is yet unknown?

Ms Wilson—COAG has agreed that urgent action is required to address data gaps.

Senator MOORE—Yes, I got that media release.

Ms Wilson—COAG has also agreed to establish the jointly funded clearinghouse. In making that agreement there were estimates put to COAG of the likely cost.

Senator MOORE—Where did those estimates come from?

Mr Hoffman—The estimates in relation to the data were put together based on information from a number of sources including the Productivity Commission and the Australian Bureau of Statistics. In relation to clearinghouse, it was on the basis of a similar service that is provided for a different purpose.

Senator MOORE—Would that be the Australian Institute of Family Studies? The other major clearinghouse we deal with on social welfare issues is the Australian Institute of Family Studies. I was just wondering whether you could tell us whether that was one of the areas that was considered in the discussions.

Mr Hoffman—I cannot recall the institution on which it was based, but I do not believe it was that one. I can find out.

Senator MOORE—That would be useful to find that out. I can remember in other groups talking about clearinghouse services that are available when people had this issue. We were looking at domestic violence and family violence. I am sure that it was the AIFS service. I could be wrong, but you will check that out. One of the things that we are particularly interested in and that I know has been discussed is formal targets through the processes of establishing databases and targets for achievement. In the work that you have done so far, has there been discussion about creating targets for measuring what has been addressed by this working group?

Mr Hoffman—There has not yet been discussion of specific targets, no.

Senator MOORE—As a concept without having a figure or has it not even been on the table?

Dr Morauta—I think it is probably the case that, until COAG decides to do a particular thing, a lot of these discussions are just a process of discussion amongst officials. There has not been any commitment made by COAG in relation to targets.

Senator MOORE—So is the only action that has come out of the working group the commitment to the data improvement and a clearinghouse?

Mr Hoffman—Yes, in terms of funding commitments. But COAG has also agreed to the ongoing work of the working group and it has agreed to a commitment as outlined in the communique. The working group has still to come back to COAG with detailed proposals.

Senator MOORE—And that will hopefully be after your teleconference in June?

Mr Hoffman—I think it will be some way down the track before that is agreed.

Senator MOORE—When is the next COAG meeting?

Dr Morauta—No date has been set.

Senator MOORE—When is it due? There is a sequence of meetings, is there not?

Dr Morauta—It is not that regular. We just had one in April. You would not necessarily expect another one this year.

Senator MOORE—Not by the end of 2007? I am a little focused on this one at the moment. I know we will talk about COAG in other places, but this particular working group was established last year. We now have an in-principle agreement to do something, but we do not know what is going to be done until after COAG gets together again. I am concerned about the time frame. Is it your understanding that nothing can proceed without agreement by COAG?

Mr Hoffman—That is my understanding. It would have to be agreed by COAG.

Senator MOORE—So your working group will continue to work, gathering more information on what funding is needed with a focus on a recommendation for the next formal COAG meeting—is that right?

Mr Hoffman—That is my understanding.

Senator MOORE—At this stage there has been no discussion in the working group about a wide time frame?

Mr Hoffman—The meeting in June will be our first working group meeting since COAG and one of the agenda items is a plan of work for the working group.

Senator MOORE—What other work does the working group do?

Mr Hoffman—The working group also is required to bring together an integrated report for COAG that brings together the reporting under the various frameworks which COAG has agreed over the last few years. That report is one of the actions that the working group has to deal with.

Senator MOORE—When was your working group set up?

Mr Hoffman—It was established by COAG in July 2006.

Senator MOORE—How many COAGs have there been since then?

Mr Hoffman—One.

Senator MOORE—Was that the one held in April?

Mr Hoffman—Yes.

Senator MOORE—The report you prepared for April 2007—and I know your report is not public—covers just under 12 months' work. We have discussed two of the actions that have come out of it. Is there anything else within that work plan that you can tell us about?

Mr Hoffman—Only what is in the communique.

Senator MOORE—Your meeting in June will progress the two actions that are public, but you are still responsible for the ongoing reporting of what? What else is in the report?

Ms Wilson—The working group is developing a way of integrating a range of reports on Indigenous issues that COAG has considered over the years.

Senator MOORE—I understand they will pull it all together.

Ms Wilson—They will put it all together to address it in a simpler way. It will look at reporting against the reconciliation framework, the National Framework of Principles for Delivering Services to Indigenous Australians, which is a COAG framework and the National Framework on Indigenous Family Violence and Child Protection, and pull that all together.

Senator MOORE—Just those three?

Ms Wilson—Yes, I believe so. Is that right, Mr Hoffman?

Mr Hoffman—Yes.

Senator MOORE—So just those three pre-existing reports?

Ms Wilson—Yes.

Senator MOORE—So you are supposed to bring those together and provide a refocus—is that right?

Mr Hoffman—Refocus the reporting and bear in mind the *Overcoming Indigenous Disadvantage* report, which is prepared for COAG by the steering committee for the review of government service provision, the secretariat for which is provided by the Productivity Commission.

Senator MOORE—Will your working group look at the other report as well?

Mr Hoffman—The *Overcoming Indigenous Disadvantage* report?

Senator MOORE—Yes.

Mr Hoffman—The steering committee for the review of government services has responsibility for that. And there is an Indigenous working group and many of the members from this working group are also on that one.

Senator MOORE—Are you on that, Mr Hoffman?

Mr Hoffman—I am.

Senator MOORE—So you go between those two. I am just looking at whether there is any formal link between *Overcoming Disadvantage*, which is the report that came out of the Productivity Commission, and this COAG group that you have got. Is there any formal link between them?

Mr Hoffman—There are clear links. The terms of reference for the working group requires the working group to take account of that.

Senator MOORE—Yes, it refers to them.

Mr Hoffman—As I said, many of the members are on both. The Productivity Commission is an observer on the working group and attends our meetings.

Senator MOORE—Is there anyone else who observes? You told me who was on the group, but we did not know about the Productivity Commission being a regular observer. Does anyone have observer status—comes in off the bench from time to time?

Mr Hoffman—Not that I can recall, but that does not mean it will not happen in the future.

Senator MOORE—Sometimes people visit, but I am just looking at who has that ongoing involvement. My understanding of the whole process was that this was going to be an ongoing way of pulling together all the various reviews and information that is around about these issues, so that there is a one-stop area to look at getting the best possible information flow. Does that make sense?

Mr Hoffman—If we are talking about the integrated report—

Senator MOORE—Yes.

Mr Hoffman—Because there are a number of different frameworks which COAG has agreed over the years, rather than get separate reports each time—each time COAG meets or annually—it was decided that the working group should look at a method or a way of integrating that into a single report that has some value and that adds value to the *Overcoming Indigenous Disadvantage* report but does not duplicate it. It is in the interests of all jurisdictions to have a more streamlined system of reporting so that we are not duplicating work that is being done for other purposes.

Senator MOORE—Do you have any role except reporting to COAG?

Mr Hoffman—Do you mean the working group?

Senator MOORE—Not you personally; the group. Does the group have any role except to report to COAG?

Mr Hoffman—COAG established the group to do certain things for COAG. The working group does that and then reports to COAG.

Senator MOORE—So it does work for COAG.

Mr Hoffman—Yes, and it generally does that in the form of reports, which COAG either accept or rejects.

Senator MOORE—You told me about the proposed commitment to funding from now on. Do we know how much the working group has cost until now?

Ms Wilson—We do not have that information. Each jurisdiction is responsible for their own costs in participating in the working group—as is the Northern Territory in hosting the group. I assume the Northern Territory picked up things like venue hire and that sort of cost. Generally with these COAG activities each jurisdiction funds their own participation.

Senator MOORE—From your branch, Ms Wilson, is the only expense so far Mr Hoffman's time and that activity?

Ms Wilson—There is travel, staff costs and those sorts of things.

CHAIR—If there are no other questions for output group 2, we will suspend until 7.30 pm and resume with output group 3.

Senator FAULKNER—Because of the difficulties we are now facing with time, the opposition would be prepared to leave out the whole of output 3 and instead deal with ONA—which I think will be comparatively brief—and then bring the Auditor-General on. I apologise to the officials from the international division, the national security division and so forth. We were very keen to get to them, but something has to give now. I thought it might assist to say that to the officials before the dinner break, Minister.

Senator Minchin—Thank you, Senator. Are ONA and ANAO required?

Senator FAULKNER—ONA is to appear after the dinner break, but I understand it will not be for a long time. ANAO would come forward then. Obviously we had questions to ask the department on output 3, but we have to make some compromises now.

CHAIR—Does anyone have anything for output 3?

Senator MURRAY—If they do, they can put it on notice.

Dr Morauta—So you have concluded with PM&C now?

Senator FAULKNER—We have concluded with the program elements of the department. It would be more correct to say that we have concluded but we have not dealt with some of them.

CHAIR—So ONA will appear at 7.30 pm, followed by the National Audit Office.

Senator MURRAY—Senator Faulkner, did you say that the session with ONA is likely to be quite short?

Senator FAULKNER—The best advice I have is that ONA will not take a huge amount of time. That is the best advice that I have at this stage, but you know what these things are like. The opposition are keen to move on to the ANAO but we are also keen to deal with ONA—as we were keen to deal with output 3.

Proceedings suspended from 6.26 pm to 7.32 pm

Office of National Assessments

CHAIR—I call the committee to order and welcome Mr Varghese and officers of the Office of National Assessments.

Senator CHRIS EVANS—Mr Varghese, I have got a few issues I would like to run through with you tonight. We are actually not as pressed for time as we normally are—which is not to say that I am going to keep you here until midnight—but obviously there is a range

of interests in a tour of the globe, in the sense of Timor, Afghanistan and Iraq and your current analysis of those. I thought I would start with Timor. As I understand it, there was a plan for us to reduce our troop levels Timor Leste after the presidential elections and they have now gone back up after recent disturbances et cetera. I am interested in what the current assessment is about the situation in East Timor: whether we think the security situation is improving, and what that would mean. Obviously a decision on the troop numbers is not for you, but I am interested in what the current assessment is of the security situation in Timor Leste.

Mr Varghese—I mentioned at the last hearing—if not at the last several hearings—that to answer those sorts of questions would require me to go into the content of our analysis. This is something that I am reluctant to do in an open hearing, partly because of the nature of the work we do and partly because it has traditionally been the case that the analysis we provide the government remains confidential to the government. So I feel a bit constrained in being able to run through the sorts of issues you have raised, which really go to an analysis of the political stability of East Timor and what that might mean for the level of ADF deployments there into the medium term.

Senator CHRIS EVANS—I appreciate that. I think we have had this discussion before. I thought we had found a happy medium, where you were helpful without being too helpful. You do not tell me any advice you give to the government, but we have had a reasonable discussion which I think provides the Senate committee with some understanding of developments. I thought that, after some early disagreements, Senator Faulkner and you and I—the committee generally—had found a level at which this discussion occurred that did not take you into that. I was not, for instance, asking you for an assessment of the troop level situation. But I am interested in a general overview of what ONA's assessment is of developments in Timor and whether we think that political stability will survive the election process. It seems promising, but I am also told there was some more trouble on the weekend.

Mr Varghese—I think the modus vivendi we appeared to have reached was that I was prepared to answer questions on the nature of the reports that ONA produces but not on the contents of those reports. So it still leaves me in the position where, to give you a sensible answer, I really will have to start going into the contents of our analysis, and I feel a bit constrained in doing that, I must say.

Senator CHRIS EVANS—If we get back to the position where we cannot ask the Office of National Assessments anything about national assessments, we are severely limited, aren't we? Are you telling me that you will not comment on any international assessments?

Mr Varghese—I am reluctant to comment on what effectively is the content of our analysis, the substance of our analysis.

Senator CHRIS EVANS—So what do we talk about—the weather in Timor? I thought we had got through this a bit. Clearly, you provide advice to the government—and I am not asking for the advice to the government—but you also do ongoing work on issues in the Australian national interest. Clearly, the political situation that existing in the country of our nearest neighbour is of importance to us. I understand we have 1,100 troops there at the moment; so it is a question of some public interest in the Australian context.

Mr Varghese—I am certainly not diminishing the importance of the issue. East Timor in itself is a major focus of what we do. So it is not a disagreement with you on how important this issue is; it is really just a question of how far I can go in providing you with what in effect are the conclusions of the judgements that we make on the trajectory that East Timor is on. Once you start down that path, I think you end up having to put some very arbitrary limits on how far you go down there, and I would rather be cautious about starting down that path.

Senator CHRIS EVANS—I thought we had got through that to the point where you said what you were comfortable to say without divulging advice to government and provided some assistance to the committee as to some of the thinking done and some of the analysis made by ONA. I do not know whether you have received instructions to curtail that, but I was not seeking to take you any further than we had progressed in recent hearings. So I am a little unsure as to how to proceed, given the sorts of discussions we have had in previous hearings. Are you saying that there is a change of policy about that?

Mr Varghese—I do not think that what I am saying to you tonight is any different to what I said to you at the last hearing.

Senator CHRIS EVANS—What are you prepared to say about Timor Leste?

Mr Varghese—I can confirm that it is a topic of considerable focus for ONA. If I can respond to questions which do not go into the content of analysis, I am happy to do that. One of the constraints I have with this sort of situation is that having our judgements on an issue like East Timor made public obviously constrains the frankness with which we can put those judgements. We would have to take into account a whole lot of other factors apart from how we simply want to call the situation on the ground in East Timor. I think that is always the difficulty for an assessment agency speaking in a public forum.

Senator CHRIS EVANS—Democracy is a difficult thing.

Mr Varghese—Only in a Churchillian sense.

Senator CHRIS EVANS—Perhaps you can help me with a question about the rebel leader Alfredo Reinado and whether it is fair to treat him as a bit of a symbol of anti-Australianism inside Timor Leste.

Mr Varghese—Again, I think that for me to go into judgements about Reinado's position and how it might play out in the political process in East Timor will take me straight to the content of our analysis.

Senator CHRIS EVANS—Should we just stop calling you to estimates? Is that the best thing to do?

CHAIR—Senator Evans, I think there is some expectation that senators might ask questions which will elucidate appropriate information.

Senator CHRIS EVANS—While the officer says they are not able to discuss it?

CHAIR—As senators in this committee, with the Office of National Assessments appearing before it, have done before.

Senator CHRIS EVANS—I thought we were starting off in the sort of way we had always started off. I am a bit surprised that we seem to have a different attitude today than in the past.

Quite frankly, I am a bit concerned about it. I thought the committee had treated those sensitivities with respect and that we had actually managed to have a discussion which senators found helpful concerning the work of the ONA without actually putting at risk the assessments. I thought we were sensitive to those concerns, but it seems that I will learn more about your work from reading the *Sydney Morning Herald* than I will from you. That is the way it goes. What is the current nature of the work you are doing on Timor Leste? How often do you report to government on it?

Mr Varghese—We provide regular reports to the government—probably once a fortnight or so—on the political situation, the security situation, the prospects of the elections, what the implications would be for Australia's interests in East Timor and how it might affect regional issues.

Senator CHRIS EVANS—Have you done any major work on the regular reporting in addition to that?

Mr Varghese—We do what we call strategic assessments, which are more in-depth coverage. We do that reasonably—well, frequently would be the wrong word because of the nature of strategic assessments, but we have done several in relation to East Timor.

Senator CHRIS EVANS—When was the most recent you have done?

Mr Varghese—I would have to check the date and get back to you, but the most recent strategic assessment would probably be in the last fortnight or so.

Senator CHRIS EVANS—How often have you been doing them?

Mr Varghese—We report roughly once a fortnight in one form or another.

Senator CHRIS EVANS—I thought you were talking about the more major piece of work.

Mr Varghese—No; strategic assessments are pieces of work that we do in addition to our regular reporting. We would do about 10 to 15 national assessments a year on global topics, and then we also do strategic assessments on top of that. If you bear with me I will see if I can give you chapter and verse on that. For instance, last year we did 17 strategic assessments. This is not just on Timor; this is across the work of the office. So far this year we have done 13 strategic assessments. Of those, East Timor probably accounts for two or three.

Senator CHRIS EVANS—In this year?

Mr Varghese—Yes.

Senator CHRIS EVANS—Do you have a sort of East Timor desk?

Mr Varghese—It is handled in our South-East Asia branch, and we have one analyst who is dedicated full time to East Timor. We would probably have at any one time another two or three people working on East Timor. People in our economic branch would look at the East Timorese economy, people in our strategic assessments branch would look at some of the political military issues involved and the branch head himself is obviously very closely involved in whatever we write on East Timor.

Senator CHRIS EVANS—While I think of it, on a related issue, have you been experiencing problems in recruitment? I know you have had staff increases, but the general skills shortage seems to be biting everywhere else. Has that become an issue for you?

Mr Varghese—No, we have been quite fortunate. We have now concluded the doubling in size of ONA that was recommended by the Flood report in 2004. We have done that a year ahead of schedule, and by and large we have not had any difficulty doing that. There are one or two areas where the market is not all that good, but nevertheless we have been able to fill every position with appropriate people one way or another. Indonesian linguists are still an area where we sometimes struggle.

Senator CHRIS EVANS—I think Defence has a similar problem, hasn't it?

Mr Varghese—Yes, I think in that case it is across the board. We have had a particular requirement for linguists because we have taken over the open source function that used to be in the foreign affairs department. Part of its job is to monitor and translate the Indonesian media, so we have had a requirement for linguists in ONA since then, in a way that we have not had before. We have always had a requirement for Indonesian experts and they always spoke Bahasa, but they were not employed as linguists; they were employed as experts on Indonesia who happened to speak Indonesian.

Senator CHRIS EVANS—So in terms of decisions about Defence assessments about troop levels or government decisions about them, you provide input along with the Defence Intelligence Organisation?

Mr Varghese—We do, and where the government is about to take a decision on a deployment we will seek to do an ONA analysis. Usually in those cases, if it is a significant deployment, we would obviously do a strategic assessment of the issues. That is complementary to the work that the Defence Intelligence Organisation does, which has a narrower scope.

Senator CHRIS EVANS—Where is the UN up to with its perspective on Timor Leste and our role in that now?

Mr Varghese—I think that is probably a question better directed to the Department of Foreign Affairs and Trade, in terms of where the UN process is and what their thinking is on the next tranche of UN involvement—what the appropriate numbers should be and what the mix of police, civil and military assistance ought to be.

Senator CHRIS EVANS—Are you aware of when they are likely to make that sort of decision? Is that post the general elections?

Mr Varghese—It would be after the elections, yes. I just do not have in my head what the expiry date of the existing mandate is and what the review mechanisms are. Again, that is something that DFAT has primary carriage of.

Senator CHRIS EVANS—No, I must admit I do not either. After the change of circumstances in Timor Leste I lost track of the UN perspective on what was required. You are doing a national assessment on Afghanistan in the second quarter of 2007, are you?

Mr Varghese—We are in the process now of finalising that, and I expect we will conclude that process within the next two or three weeks.

Senator CHRIS EVANS—And that will then go to cabinet?

Mr Varghese—All of our product goes to ministers in the National Security Committee of Cabinet, other ministers who may have a direct interest in the issue and obviously senior officials as well.

Senator CHRIS EVANS—Is there a change in the sort of risk in Afghanistan, in terms of suicide bombers versus the more traditional militia threat?

Mr Varghese—If you are talking about risk to Australian troops in Afghanistan then that is a judgement that DIO make as part of their continuing responsibility for analysis of military and strategic affairs, and they have a very elaborate matrix which defines risk. I think they judge Afghanistan to be a high-risk environment. There has been, obviously, an increase in violence in Afghanistan. There has been an increase in the number of attacks—a very significant increase last year over the previous year. We are beginning to see tactics such as suicide bombings now in Afghanistan, tactics that were operating in Iraq and seem to be migrating towards Afghanistan.

Senator CHRIS EVANS—And you associate that change in tactics with lessons learnt in Iraq?

Mr Varghese—Not necessarily, in terms of their being orchestrated by external actors in that way. But I think it is a case of some elements in the insurgency having seen its perceived effectiveness and deciding that they ought to employ similar tactics in Afghanistan.

Senator CHRIS EVANS—Is there, though, a greater level of Taliban-led control in this activity than there seems to be in Iraq? In Iraq there seem to be emerging issues of different groups and behaviour that is less coordinated, perhaps, by some sort of central organisation. Is the assessment that the Taliban are driving all of this activity or that it is more driven by different groups?

Mr Varghese—The Taliban is the most significant group in the insurgency but it is not the only group in the insurgency. It is by far and away the most significant. It is a Taliban-led insurgency in the sense that they are the single most important group. That does not mean that they lead the other bits of the insurgency, because Afghanistan is a fractious place and there are other groups that work separately at attacking the international presence in Afghanistan.

Senator CHRIS EVANS—But is there a sense of that being coordinated among those groups or is it just that they are operating for common objectives?

Mr Varghese—A shared objective.

Senator CHRIS EVANS—But the Taliban is still seen as the major driver of their—

Mr Varghese—By far.

Senator CHRIS EVANS—What is the sense of that actually increasing their influence inside the country?

Mr Varghese—If you look at the pattern of attacks you will see that it suggests a renewal of confidence on the part of the Taliban and an increase in their capability. If you simply look at the number of attacks in 2006, for instance, you will see that there were about four times the number in 2005 and we are already seeing quite a significant tempo of attacks from the Taliban in 2007, and we may see that increasing.

Senator CHRIS EVANS—Is that indicative of improved resourcing or a sense that they have increased their support within the country, in terms of the populous and—

Mr Varghese—They are running quite an aggressive information campaign targeted at the international presence and appealing to Afghan nationalism, tribal connections and linkages, and that has probably had some effect. I think we are seeing stronger leadership on the part of the Taliban, which has also had an effect on their operational capability. They might see some opportunities for engendering more support in the slowness of some of the reconstruction effort to actually start delivering results.

Senator CHRIS EVANS—Are they being assisted by more resources coming into the country?

Mr Varghese—There is support for the Taliban coming across the border, but I cannot really go into the details of that.

Senator CHRIS EVANS—But their increased capability has obviously been driven in part by their increased access to weapons and capability.

Mr Varghese—They are receiving some external support. I think the transborder support coming from parts of Pakistan is an important part of that, but I would not want to leave you with the impression that it is reliant completely on that sort of support.

Senator CHRIS EVANS—Given the changing tactics, do you think it is unlikely that they will be looking for some engagement in traditional military attack and be more likely to be engaged in the sort of activity we have seen in Iraq? Do you think that is a tactical decision they have taken or do we expect to see both?

Mr Varghese—I think it has been a mix. They have not gone for full-frontal confrontation with ISAF, the International Security Assistance Force, but in some cases they have engaged in prolonged skirmishes. It is more than just a suicide bombing campaign but it is not quite a full-on military frontal assault.

Senator CHRIS EVANS—In terms of the international forces there, obviously we have increased our commitment. Internationally, do you think that there will be enough military commitment to support what is required?

Mr Varghese—I think there would be some who would argue that the overall number of forces in Afghanistan is not yet sufficient across the ISAF and US presence. Of course, the question is also about the willingness of countries to deploy for what may be a rather lengthy period. We are dealing with reconstruction and the establishment of state viability, which is not something you achieve in a matter of months.

Senator CHRIS EVANS—No. What about the national political processes? Is there a sense of that strengthening or is the strength of the Taliban starting to impact on their capacity to grow domestic institutions and support for domestic institutions?

Mr Varghese—If you use as your benchmark where Afghanistan was at the end of 2001 you would have to say that there has been very substantial political progress in the sense of elections, the establishment of a national parliament and the establishment of a central government. So, clearly, much progress has been made in the last several years, but it is something which still needs to be consolidated—particularly the authority of the central

government. Afghanistan has always been a country where the writ of the central government has never extended to every part of the country. That has been the historical experience in Afghanistan. I do not think you could say that currently the writ of the central government extends to all parts of the nation.

Senator CHRIS EVANS—It is our experience in Western Australia as well! I will ask you a few questions about Iraq. I suppose we will start where we left off regarding Afghanistan: the political power of the central government. There seems to be increasing concern about the incapacity of the central government to assert its authority and act in a coherent way. Is it the assessment that the strengthening of political stability is really a key to the future progress in Iraq?

Mr Varghese—Again, this goes very much to the content of our judgements. The point I would make is that the long-term stability of Iraq does not necessarily turn on having a central government that controls everything; the long-term stability of Iraq turns on arriving at a political framework in Iraq which is stable enough to accommodate competing interests. It will be a federal structure in Iraq. What the right balance is between the centre and the provinces is something which is still being worked out, and it is being worked out painfully. I do not think that you could say it has to be model A or model B. The important thing is that it is a model that has enough political consensus behind it across the main sectarian communities to keep it stable.

Senator CHRIS EVANS—What about what seemed to be increasing refugee movements? I think the UN High Commission for Refugees estimated that more than 1.6 million Iraqis have been displaced internally and more than 1.5 million have fled to Jordan and Syria. Is that advice generally regarded as being accurate?

Mr Varghese—If anything, it might be a bit on the conservative side. It may be that around two million have left Iraq and about 1.8 million are internally displaced. Those who have left Iraq are predominantly in Jordan and Syria.

Senator CHRIS EVANS—Is that flow increasing?

Mr Varghese—It is not decreasing.

Senator CHRIS EVANS—So the migration movement is continuing apace. What about the reports of 100,000 or so having fled northern Iraq because of the pressure from Kurdish militias; is that generally accepted as being accurate as well?

Mr Varghese—It is not a figure I recognise. The internal displacement is a factor primarily of the violence in and around Baghdad. The Kurdish north is, relatively speaking, much more stable, and the south is also, relatively speaking, more stable.

Senator CHRIS EVANS—But do you agree with the assessment that there are Iraqis fleeing northern Iraq because of concerns about or contact with Kurdish militias?

Mr Varghese—There has been some displacement of people in the north around Kirkuk, and that relates to a very complicated process, a down the track process, about a referendum on Kirkuk. In the lead-up to that referendum, there has been movement of people in and out of the Kirkuk area. But that is a separate dynamic to what is pushing people out of the Baghdad area.

Senator CHRIS EVANS—What are the impacts of these large refugee camps on the neighbouring countries? Is that becoming an issue for security in the region, the large numbers of Iraqis fleeing into Jordan and Syria?

Mr Varghese—Well, it is obviously a strain on Jordan and Syria and, potentially, it could become a security issue. But at the moment it is more of an issue of accommodating a large number of displaced people.

Senator CHRIS EVANS—So it is more of a domestic political issue? Are they welcome inside the countries or is it becoming a domestic political issue?

Mr Varghese—We have not seen any indications of their being turned back, but I would imagine any country would have difficulty accommodating those sorts of numbers. If you have 600,000 or 700,000 displaced people coming into your country, it is obviously not going to be an easy thing to manage.

Senator CHRIS EVANS—I was really trying to get an understanding of the attitude Jordan and Syria are taking to that situation as it continues. As you say, the flow is not abating, and that will become more and more of a problem for Jordan and Syria, Firstly, when you are just physically accommodating those people and providing basic services and, secondly, when you have got maybe up to a million foreigners arriving in your country uninvited, as it were, as refugees, there are a whole range of implications.

Mr Varghese—It underlines the importance of having a settlement in Iraq which would enable them to return, and that is essentially a settlement between the Sunni and Shiah.

Senator CHRIS EVANS—So what status are the Iraqis being given in Jordan and Syria? They are obviously refugees, but they are not applying for permanent residency or what have you; they are just being treated as temporary refugees, as it were.

Mr Varghese—That is my understanding. They have not gone through a formal process of refugee determination. Of course, we are dealing here with countries that do not necessarily work to the UN convention framework.

Senator CHRIS EVANS—Yes. And what about the suggestion that there are a large number of people from the middle and upper classes leaving for Egypt, Lebanon and the Gulf States; is that actually occurring?

Mr Varghese—I think, of those two million or so that are reported to have left Iraq, a significant proportion of them would be the Iraqi middle class.

Senator CHRIS EVANS—Those with the capacity to get out legally, as it were?

Mr Varghese—Or those who have the means and the funding to get out.

Senator CHRIS EVANS—Yes. And they are largely going to the Gulf States, and Egypt and Lebanon, I gather. Is that right?

Mr Varghese—I think the majority of Iraqis are going to Jordan and Syria, but some are also going to other countries in the region.

Senator CHRIS EVANS—What about the national economy? Is there a sense that the economy is recovering or is it also faltering, given those other social factors?

Mr Varghese—The security environment has made it very difficult for economic reconstruction to proceed at full pace. So the economy is, I think, suffering from the absence of security. On some indicators the economy has done reasonably well. If you look at GDP per capita, for instance, it has gone from what was about \$US740 in the pre-war period to what is now around \$US1,700. But overall living standards are still struggling to improve, and there are still difficulties with the provision of some basic services, including sufficient electricity with what is now a much larger demand in Iraq. So, until the security situation in Iraq improves, I do not think we are going to see significant economic progress.

Senator CHRIS EVANS—What is your assessment of the unemployment rate? I have seen some figures that seem to be staggeringly high.

Mr Varghese—Yes. Figures on the Iraqi economy generally are not totally authoritative because their statistical basis is very rudimentary. There was hardly any statistical basis during the Saddam period, and since then we have had some very good work done by the World Bank, the IMF and the UNDP by way of economic surveys. So I think all figures on the Iraqi economy need to be taken with a little bit of reservation. Unemployment—my understanding is that it ranges between 25 and 40 per cent, so it is a high number.

Senator CHRIS EVANS—Sorry; it ranges between?

Mr Varghese—Between 25 and 40 per cent. But there is a lot of provincial variation in that, obviously.

Senator CHRIS EVANS—Yes. But nationally the figure is somewhere in that range; is that the view?

Mr Varghese—Yes. And that is drawing on those sorts of surveys that I mentioned.

Senator CHRIS EVANS—Have you done any assessment of the success or otherwise of the Australian training programs?

Mr Varghese—No, and it is not something we would do in ONA.

Senator CHRIS EVANS—Would that be done by Defence?

Mr Varghese—It would depend on who is providing the training. If it is ADF training, yes, it would be something you would have to ask Defence about—whether they have evaluated it. If they are projects that are AusAID funded then AusAID would have their own evaluation methods.

Senator CHRIS EVANS—I also wanted to ask you about this online thing, the Iraq Body Count website. I know you have had long discussions with Senator Faulkner about casualties during the formal war period.

Mr Varghese—Yes.

Senator CHRIS EVANS—What is your view about the accuracy of that Iraq Body Count? Is it broadly in line with your assessment or the assessments you receive from other agencies?

Mr Varghese—Again, I do not think there is any single authoritative source on civilian deaths and casualties in Iraq, and there is a huge variation in the estimates, ranging from around 62,000 to 655,000. That is the kind of spectrum that you have. In our view, Iraq Body Count and the Brookings Institution are at the more credible end of the spectrum, but these

are relative judgements. They rely on media reports and they also seek to supplement the media reporting with reporting from other sources. There is not a huge variation between Iraq Body Count and Brookings, but they would probably be the two most credible sources.

Senator CHRIS EVANS—A number of people have put that to me. On that basis, given the caveats that you have put forward, the Iraq Body Count figures from 1 February to 6 May were 8,479 civilian deaths, which is obviously a horrendous continuing toll. Is there any sense that the American initiative is having any impact on that death rate?

Mr Varghese—To answer that, I would definitely have to go into the content of our assessments. I would point out that the so-called surge has not peaked yet, so it may be a bit early to form any definitive judgements. I do not think I can give you an answer to that question without going directly to the content.

Senator CHRIS EVANS—I know the surge has not peaked, but looking at these counts, the weekly death tolls have been in the 400 to 500 mark through February and rising. The latest figures for May are still 670, 610 and 670 deaths per week.

Mr Varghese—It is still a very high level of violence.

Senator CHRIS EVANS—It is still a very high level of violence and it seems to have been consistently at that level for a long period now, which obviously, as you say, undermines efforts to provide economic or social development inside the area. Is it the assessment that those deaths are predominantly in the Baghdad region?

Mr Varghese—Yes. I think General Casey, at one point, was on record as saying that 90 per cent of attacks in Iraq were within a 30-kilometre radius of Baghdad, so that is certainly the epicentre of the conflict.

Senator CHRIS EVANS—When would it be reasonable to make an assessment about whether the so-called surge strategy has been successful? When would it be fair to make such an assessment?

Mr Varghese—I do not think we can point to a certain date and say that by then we ought to have a clear-cut view on how the surge has fared. I think General Petraeus has said publicly that he thought that by the fall—I assume he means around September—he would be in a position to draw some conclusions about the effectiveness of the surge. I expect that he will be reporting to the administration and to congress in that sort of time frame.

Senator CHRIS EVANS—When do we anticipate the US forces to be at full strength?

Mr Varghese—My understanding is that by June they will be at full strength, probably in the first half of June.

Senator CHRIS EVANS—Have you had a chance to look at the Chatham House report on Iraq that was issued just last week, I think?

Mr Varghese—I have not personally seen it, no.

Senator CHRIS EVANS—But that would be something that would feed into the work of ONA?

Mr Varghese—I expect so, yes. Our Iraq analysts, I am sure, would keep an eye out for something like that.

Senator CHRIS EVANS—Is their work generally still well regarded?

Mr Varghese—Chatham House?

Senator CHRIS EVANS—Yes.

Mr Varghese—It is a very respectable organisation in the broad. It does not mean that every report they write is necessarily authoritative, but their broad reputation is still quite high.

Senator CHRIS EVANS—They clearly have a very different assessment from that of the US government, though, on the situation in Iraq.

Mr Varghese—I have not seen their assessment on Iraq, so I do not know what their conclusions are.

Senator CHRIS EVANS—I have not read the report. I have only read press reports, but they claim the country may be on the verge of becoming a failed state.

Mr Varghese—You will get a very wide range of opinion on where Iraq is heading.

Senator CHRIS EVANS—It is a much more depressing assessment than that which comes from the American government at the moment. We will see, I guess. Thank you for that. I want to touch on Jemaah Islamiah. I see the International Crisis Group recently reported that Jemaah Islamiah is in a building and consolidation phase, and that it retained a solid core membership of about 900 members across Indonesia. Is ONA's assessment roughly in line with the International Crisis Group?

Mr Varghese—It is very difficult to be precise about the membership of an organisation like Jemaah Islamiah. We have no reason to substantively question the Crisis Group's estimate. Their methodology is clear in their report and it is a plausible methodology. Whether 900 is the correct number or not, I do not think anyone knows.

Senator CHRIS EVANS—I was not so much focused on the 900 but on their broader assessment.

Mr Varghese—By and large we would agree with most of the things that are in that report. That is pretty close to the way we see things as well.

Senator CHRIS EVANS—It seems that the assessment is that their capacity is being built and their capacity to conduct operations is being strengthened in this phase.

Mr Varghese—I would characterise it somewhat differently. I think at the headline level, JI's capability has clearly been diminished in terms of the effectiveness of it as an organisation, and that reflects the successes that Indonesia's counterterrorism forces have had in terms of the arrests of large numbers of JI members—several hundred—and in terms of disrupting their operational capability. So, while we still see JI as a continuing threat, I think at one level it has been weakened and, partly as a result of that, it is reviewing its tactical approach. One of the points the International Crisis Group report made is that it may be narrowing the focus of its targeting more towards Indonesian targets than Western targets.

Senator CHRIS EVANS—What about their assessment of JI's political support inside Indonesia? Has the disruption to their capability impacted on the political support for them inside the country?

Mr Varghese—Their political support inside Indonesia has never been large, and I think the Indonesian government has shown quite a lot of political will by taking this debate to the broader public in Indonesia. JI will pursue terrorist tactics and they will work around the edges of the political system as well, but we do not see their political support in Indonesia as anything other than at the extreme margin.

Senator CHRIS EVANS—But do you think successful attacks on Western targets are necessary to build that support? Is that part of their thinking: that they need—

Mr Varghese—The crisis group's view, and I think there is considerable merit to this, is that significant parts of JI's leadership might have concluded that targeting the West in the form of the big bombs like Bali is counterproductive to the support that they are hoping to create in Indonesia. That is why it may be leading them to a different approach.

Senator CHRIS EVANS—What is the strategy and the alternative?

Mr Varghese—The alternative would be to focus more on Indonesian targets than on Western targets, and in some ways to go back to the Darul Islam roots of JI. Darul Islam was a movement that was very active in Indonesia for a long period of time, and at its peak probably had 15,000 to 20,000 armed insurgents in Indonesia with the objective of creating an Islamist state in Indonesia. So it may be that the focus is shifting more towards those sorts of objectives, rather than the sort of global jihadist agenda which emerged after Afghanistan.

Senator CHRIS EVANS—And that sort of strategy would see the Indonesian national government and the symbols of its authority as more likely targets?

Mr Varghese—That could be part of it, but also an attempt to exploit sectarian conflict within Indonesia.

Senator CHRIS EVANS—Can I ask something completely different: whether ONA has done any work on the implications of climate change for national security and international relations in the region?

Mr Varghese—Yes, we have. In the past six months we have produced five reports that focus primarily on climate change, including a national assessment, which is the most substantial type of report that we write, which we produced in April. We have also produced two strategic assessments on climate change. Our work on climate change goes back quite a long way. In fact, in 1981 we did our first national assessment on fossil fuels and the greenhouse effect. So it is a body of work.

Senator CHRIS EVANS—In 1991, was it?

Mr Varghese—In 1981; so quite prescient, actually. I cannot claim any credit for it, but having read it recently I thought it was quite a prescient bit of work.

Senator CHRIS EVANS—I am not sure that Senator Minchin shares your pleasure.

Senator Minchin—I thought we were still suffering global cooling back then.

Mr Varghese—Our work has traversed the economic, scientific, political and strategic implications of climate change. More recently we have focused on analysing the international politics of climate change: how the positions of the major emitters may be developing; what are the views of key developing country emitters such as China and India and what their

attitude to a global regime would be; and the effects of this issue on the developing world. We have done some analysis of global public opinion on climate change and we have also done work on the role of technology in dealing with climate change.

Senator CHRIS EVANS—That seems to be a fairly broad approach you have been taking.

Mr Varghese—We are a strategic assessments organisation, and that is what we do.

Senator CHRIS EVANS—I suppose I thought you might have been more focused on the regional implications, the impacts on the Asia-Pacific region. You have obviously done some work on that.

Mr Varghese—We have. We have done some work on the strategic implications of climate change, and that obviously has a regional focus because that is where our strategic interests are most actively engaged. But our more recent reporting and the focus of our national assessment were on those other issues that I mentioned.

Senator CHRIS EVANS—There are quite direct issues for us regionally—for example, sea levels for some of the Pacific islands, and migration that might flow from any change in sea levels? They are quite direct impacts, aren't they, that could be headed our way?

Mr Varghese—It depends on the time frames you are dealing with and what might change between now and when those time frames kick in. Strategic implications are longer term implications. If you were looking out two or three years, I do not think you would canvass too many strategic implications, but if you were looking out 50-plus years you might have a slightly different perspective. But where we will be on climate change between now and then is a separate issue.

Senator CHRIS EVANS—Have you done any work on the health implications?

Mr Varghese—The health implications of climate change?

Senator CHRIS EVANS—Yes.

Mr Varghese—No.

Senator CHRIS EVANS—I am interested because I heard someone recently talk about the spread of dengue fever and such things moving south. It is just another aspect of the issue that I had not come across before and one that has seized my mind. Has your reporting on this gone more broadly than your normal distribution list?

Mr Varghese—Our normal approach to distribution is to circulate it to the national security community, if you like, of ministers and officials and other relevant portfolios. So in the case of climate change, obviously we would distribute our reporting to those portfolios that are closely involved in climate change.

Senator CHRIS EVANS—That would be virtually every portfolio, wouldn't it?

Mr Varghese—We certainly have not circulated it to every portfolio.

Senator CHRIS EVANS—It is interesting because quite frankly, from my inquiries, there does not seem to have been a lot of work done on climate change inside the Australian government agencies. Treasury had not done anything at all—I understand they just recently started some work. PM&C said they had not done any major work. So there does not seem to

have been a lot done. Obviously, I know the industry is in the task group on carbon trading. I just wondered whether there had been any suggestion about spreading that work more widely, to inform government more widely, and whether there had been any thought about releasing some sort of public version.

Mr Varghese—In framing our national assessment we involved key agencies, as we always do with national assessments. We had Environment, Industry and obviously the central agencies—PM&C, Foreign Affairs and Trade, and Treasury—and our report would have gone to them. My very strong view on an organisation like ONA producing public versions of their assessments is that it is the surest way of dumbing down their work.

Senator CHRIS EVANS—I obviously did not expect the whole thing but whether there is any interest in government in providing something more publicly, which does take that broader assessment of the breadth of the issues, is one of the things that is missing in the public debate at the moment.

Mr Varghese—I think it is an issue for the government rather than for us.

Senator CHRIS EVANS—Sure. I was just interested if there had been any discussion or suggestion about spreading that work. I was just thinking of portfolios like Fisheries and Forestry that have very key interests tied up in this whole debate but I assume they are not generally on your distribution list. Clearly, Fisheries and Forestry have been hugely impacted by climate change. It just seemed to me that that sort of broader assessment was usefully spread a bit wider than the normal spooks network as it were. Have you got any more work planned in that area apart from—

Mr Varghese—We will continue to write on climate change, so I would imagine we will continue to address the issue in various dimensions.

Senator CHRIS EVANS—I have one other quick question: have you done any work for assessments for government on the development of a nuclear power industry in Australia?

Mr Varghese—No. Our mandate sort of ends at the territorial seas, if you like. We tend not to do any analysis of domestic issues. We obviously from time to time in other reports cover nuclear issues with an international dimension and we would have written on issues such as GNEP, the Global Nuclear Energy Partnership, and so on but we do not do domestic issues.

Senator CHRIS EVANS—But one of the things the Prime Minister announced was to participate in those international efforts through—it escapes me now—the nuclear development group; it is run out of the US and a whole range of countries are engaged in it. Senator Minchin would know—it was in the Prime Minister's press release. I forget the name.

Senator Minchin—You are not talking about the cooperation in the development of next generation—

Senator CHRIS EVANS—Yes, next generation reactors; the generation 4 reactors. I cannot think of the name of the group. So you have not provided assessments on those sorts of things?

Mr Varghese—No.

Senator CHRIS EVANS—And no assessments on the implications of the views of neighbouring countries?

Mr Varghese—I am sorry?

Senator CHRIS EVANS—The views or perspectives that neighbouring countries might have on those sorts of developments. Is that more a Foreign Affairs function?

Mr Varghese—As part of our reporting and analysis on energy issues, we would look at issues such as attitudes towards nuclear power and what countries are doing with their energy mix in terms of national policies. So to that extent we cover the views of countries in our region as well as beyond the region.

Senator CHRIS EVANS—Thank you. I will leave it there.

CHAIR—Thank you very much, Mr Varghese. We will now move to the Australian National Audit Office.

[8.45 pm]

Australian National Audit Office

CHAIR—I call the committee to order and welcome the Auditor-General, Mr McPhee, and officers of the Australian National Audit Office. Mr McPhee, do you have an opening statement?

Mr McPhee—No, thank you.

Senator CHRIS EVANS—I want to ask a few questions about some of your Defence performance audits. It has been an interest of mine for a while and I have not caught up with a few of them. We always get you shunted to back of the queue; not that I want to keep you here too long tonight, but we do get a chance to take you through some of the stuff. I want to get to the broader stuff, so I thought I would try to have a look at a couple of your recent reports and then take you to the broader issues. To be frank, we have had a lot of change in Defence and a lot of suggestions that we have got new systems following the Kinnaird review, yet I do not see a lot of change in what you say about them, in terms of identifying the problems. So I want to get a proper understanding of whether these are legacy issues—as always represented by the latest defence ministers, who take no responsibility for their predecessors—no doubt to the frustration of the minister for finance.

I might ask a couple of questions about the ASLAV report, which I think you did towards the end of last year, and the management of Army Minor Capital Equipment Procurement Projects as a way into that. Before I do that, I notice that the defence minister at the end of December 2006 put out a press release about security policies and practices after those weapons thefts et cetera. They said they would conduct an audit with a board and the ANAO would have observer status. Did that happen? Were you given observer status on that?

Mr McPhee—Yes, we were given observer status and we attended the meetings of that committee.

Senator CHRIS EVANS—Has that reported?

Mr McPhee—Yes. I will ask Michael White, who was our observer on the committee, to respond. But it reported to the minister, yes.

Mr White—There was an interim report that went to the minister, and I think that led to that press release that you just mentioned. The detailed report is in progress at the moment, and I think it is due for release in the next month or so.

Senator CHRIS EVANS—But the report to the minister has been completed? I am not quite sure if you established this: were you an observer rather than a member of the committee?

Mr White—That is correct.

Senator CHRIS EVANS—So I will ask Defence the more substantive questions. But has that group reported to the minister?

Mr White—There was an interim report, and that I think is what was the basis for that press release that you referred to. The main report will be following that actual audit that was implemented and tabled in the not-too-distant future.

Senator CHRIS EVANS—But that final report has not gone to the minister yet?

Mr White—That is correct.

Senator CHRIS EVANS—What he does with that will be a decision for him., or do you understand that he will be making that public?

Mr White—I think it would be up to him, but I imagine he would issue a press release or something after that time.

Senator CHRIS EVANS—I will take that through to Defence—I know that is not your primary responsibility—but I did want to ask you what the extent of your engagement in the work of this group had been in broad terms.

Mr White—We have obviously been involved in each of the substantive meetings by the board. We have also offered our support for any of the audit program that they complete to the extent that we can and to provide any advice from what we know of the department through our financial statement audits.

Senator CHRIS EVANS—Thank you. As I said, I will take it up more broadly with Defence, given that it is their primary responsibility. I wanted to ask about the ASLAV report. Before we start, just in case there is any misinterpretation, I actually think—and I think it is the general view—that it is a very good piece of kit and is performing very well, particularly in Iraq at moment. I know the forces are very happy with it. That is a really good thing, because it is not always what you hear about pieces of kit. I want to make it clear—and I think your report does—that the critique is not so much about the end result of the efficiency of the vehicle but about the processes. I want to just take you through some of those. What, in essence, was wrong with the way this project has been handled?

Mr Cronin—As you mentioned, we essentially bought a military off-the-shelf piece of equipment, which is the ASLAV. The problems really started when we wanted to add a surveillance capability and a series of capabilities to it. On page 38 of the report, in table 3.1, you will see that there are a series of capabilities which were to be added. These actually gave rise to significant delays, some of which extended up to nearly five years.

Having said that, there was the standardisation, which was the upgrade of various phases of ASLAVs to the same standard. That was achieved fairly much on schedule. The actual problems which were encountered in terms of capability related to the upgrades which were managed. So we took a piece of kit and we were going to upgrade it to a surveillance capability and that part of the project had difficulty.

Other parts of the project which had difficulty related to the contractual arrangements we had with the contractor in terms of payments. There were things like how foreign currency transactions were recorded. There were some overpayments which were subsequently recovered. DMO did put in place a project recovery phase where they employed forensic accountants to go through and reconstruct the contract and reconstruct aspects of the payments, and that was in progress while we were doing the audit. That is it in a nutshell.

Senator CHRIS EVANS—Thank you. I have read the report and as always, unlike Senator Watson, I struggle with some of the accounting concepts so I tend to look for the bottom line rather than at some of the issues which you correctly identify but which are not in an area that I profess to have any expertise in or understand. It seems to me that a lot of the difficulties you were identifying with the contracts came 10 years after we started down this path.

Mr Cronin—A problem that has occurred in a number of audits is related to the notion of contract management. In the process of contract management you need to maintain a current contract. The maintaining of a current contract is central to the management of that contract. In this one the contract was not updated and managed. Changes were made that were never formally incorporated into the contract.

We have had other experiences with this in terms of the explosive ordnance audit that came out last year. The contract had fallen into disrepair—that is, it had not been maintained for a long period of time. So to properly acquit your responsibilities you need to maintain a current version of the contract, which means that if you make contract changes you need to formally incorporate those into the contract through the processes of the contract.

While many of these audits may relate to contracts that were entered into in the mid-1990s, they are ongoing and therefore it is about contract management. So many of these audits essentially relate to the process of contract management—making sure that you have a current contract, making sure that you are paying in accordance with the contract and making sure that you are getting deliveries in accordance with the contract. That tends to be quite central to most of these audits.

Senator CHRIS EVANS—Thank you. That is one of the things that I have picked up in your reports over the last few years. I do not want to focus on the delays. We have been through other projects where we have had delays, overruns, cost blow-outs and failure to seek penalties et cetera from non-complying contractors, and all of those things seem to again be reflected in these more recent reports. I might come back to a couple of them, but the thing that struck me most was that you said in paragraph 13 of the report:

The Program Office did not have an up to date version of the Contract between February 2002 and March 2006 ...

The lights go on for me there because I think: ‘Hang on! This isn’t the 1995 problem; these are not legacy issues; these are current issues.’ I want to understand why, after supposed

reform after reform of the DMO and two pass systems, we are in a situation where as late as March 2006 the program office did not even have an up-to-date version of the contract. What is going wrong?

Mr Cronin—This is something that we have found on other audits, too—the concept of maintaining a current version of the contract. That relates to contract management practices within DMO. It does not so much relate to first or second pass; it proceeds beyond that stage to contract and the management of the contract. It is just a normal part of good housekeeping that you would expect. I think DMO are giving greater focus to this going forward. In terms of this one, they had recognised that they needed to update and get a current version of the contract so they employed forensic accountants to go through and recreate the contract.

Senator CHRIS EVANS—Did they do that after you started your work?

Mr Cronin—No, they were actually in there doing that.

Senator CHRIS EVANS—As I said, I am no expert in this stuff, but it seems to me that having an understanding of what you are paying people money for is a fairly basic business requirement. Why isn't it self-evident that you have an up-to-date understanding of the contract?

Mr Cronin—I think we would agree with you, Senator.

Senator CHRIS EVANS—What is Defence's argument as to why those things have not occurred? They seem to be quite basic management issues.

Mr Cronin—We can only talk about the few audits that we have done. There are 200 major defence acquisition projects. We have essentially audited less than 10 of the major contracts.

Senator CHRIS EVANS—Over what period?

Mr Cronin—This is in the last three years. We have had a major focus in the last three years on acquisitions, because it is such a huge area. It is in excess of \$55 billion worth of approved projects. There are in excess of 200 of them. They are obviously going to drive the Defence Force in the future—what the Defence Force is. They impact on training and they impact on infrastructure. It is a very key component of defence so we have had a focus on that in recent years.

Senator CHRIS EVANS—I will come back to that. I certainly understand the importance of it. Part of the report refers to an older problem, which I remember raising with Defence a couple of years ago, whereby they were actually offered additional vehicles at a price reduction of 90 per cent of the phase 2 vehicle price and they did not take that up. Did you get a satisfactory explanation as to why they did not take up the offer made to them by the contractor?

Mr Cronin—That was the unsolicited proposal they received that had a time period in it. They did not respond to that. They provided us with a response, which is outlined in the report. It is not unusual for Defence to get an unsolicited proposal. I think it is in paragraphs 1.7 and 1.8 on page 26. It states:

Due to the offer only being available for a short period, it was not taken up by Defence. The unsolicited proposal preceded the development of the Phase 3 proposal.

So the offer was for a short period. It certainly got them thinking about the other phases to the acquisition and they did actually move subsequently to acquire additional vehicles.

Senator CHRIS EVANS—The other issue that jumped out at me is one I have had concern with before. It is the rephrasing of capability from one phase of the project to another. You talk about the number of capabilities that were supposed to be acquired under phase 2 which were then shoved back into phase 3. I want a simple explanation of what that meant for the cost to the Commonwealth and what that meant for the capability in this project.

Mr Cronin—I do not think we are actually in a position to answer that. In the report we just outlined the process that happened that made things move. The question of what it means for the delivery of capability to the Defence Force would probably be better addressed to Defence because they are the ultimate user of the capability.

Senator CHRIS EVANS—I will certainly take that up with them. It seems on the face of it that you get your capability later—and I think that is self-evident—and that there is obviously a period during which you do not have the capability. What did it mean for the costs in this contract? Did we pay for things in phase 2 that were not included and then pay again in phase 3 or did we just pay once in phase 3?

Mr Cronin—Our level of analysis did not go into that. Things quite often get rebaselined and savings or additions are made to a contract, and you get caught up in the original dollars, which might be 1996 dollars or something like that. It does get quite complicated. I cannot recall that we actually explored this in any great detail. We just noted it as we went through.

Senator CHRIS EVANS—I will be on the lookout for that because I know that when we decided to get four frigates for the price of six I thought there was something wrong with the system. I do not think we will get the time to go back to that issue, but it still annoys me that we were capable of paying the same amount for four frigates as we had agreed to pay for six. You cannot help me as to whether that sort of thing occurred on this project—is that right?

Mr Cronin—No, not as to this one because the adjustments were not like those with the frigates. Here you are talking about additional capabilities which were moved and which were relatively minor compared to the overall vehicles. With the frigates you are talking about four large ships in a \$1.6 billion program. The question of whether you are getting four or six is obviously very significant. Here you are generally speaking in terms of the additional upgraded capabilities which were moved.

Senator CHRIS EVANS—That is part of one of the key issues with a lot of Defence contracts. One of the critiques that contractors make is that Defence keeps changing the specifications. They keep adding a bit on, wanting an additional bit of kit or are suddenly taking the view that the Australian conditions require a slightly different thing, so that the whole thing is a moving feast. That is when we end up with these cost overruns. As the purchaser, we are not clear what we want. Is that an aspect of this contract?

Mr Cronin—Certainly in terms of the additional capabilities. The behind armour weapon stations et cetera have evolved over time. You have the new remote weapon stations that have come into being on the ASLAVs—which I think are Norwegian—which obviously have done very well. When they came up with this project those types of capabilities were not in existence so in a sense, because they have delayed them, they have actually probably ended

up with a superior solution. But it does not always go like that. We can only look at what you initially set out to do and what you ended up with. There are swings and roundabouts, I guess, and you have to be specific to the individual project.

Senator CHRIS EVANS—Sure. The Seasprite is a classic example of where the delay did not help, clearly. You also talk again about overly optimistic planning. Is that something that runs through the audit reports as well?

Mr Cronin—I think you often see this in terms of the schedule slippages, which can be quite pronounced. Getting back to the Kinnaird reforms, they are putting a lot more at the front end to better define your requirements and to get better quality tender information et cetera. That would tend to lead you to much more precision in terms of your estimates of what the performance is going to be, what the costs are and what the delivery schedules are. Once you have got the full Kinnaird system running with a lot more planning at the beginning, you should get a better estimation of the likely outcomes for schedule costs and performance of the equipment.

Senator CHRIS EVANS—Was the \$23 million project cost over statement that just a muck-up in terms of foreign currency calculations or was it deeper than that?

Mr Cronin—It relates to a problem that can exist. What we see in figure 4.1 on page 49 is that, for an extended of time, the project set the exchange rate, which is recorded by that blue line, and the black line shows the actual currency. You will see that for long periods of time the reported currency is at a much lower level than the actual currency. The outcome of that was that we were showing the American dollar at a much lower exchange rate than it actually was at, so that related to the fact that the project appeared to be spending more money than it actually was. It related both to the Canadian dollars—and that is the Canadian one—and to US dollars. You will see the same thing applies in terms of US dollars in figure 4.2 on the next page. There was a facility within the system to set the exchange rate—which did not relate to ROMAN, which is the Defence financial record system—which related to what they used for recording something that approached the actual exchange rate.

Senator CHRIS EVANS—For the nonaccountant, like me, what is the bottom line; did someone lose \$23 million out of that?

Mr Cronin—No-one lost \$23 million. But in terms of what this project actually spent, the public reporting in the annual report or in the PBS was recording a higher level of expenditure than was actually incurred.

Senator CHRIS EVANS—So they were reporting they were spending money they were not spending?

Mr Cronin—Yes, at a project level.

Senator CHRIS EVANS—That is a nice reversal for Defence. They are usually reporting less than they have actually spent.

Mr Cronin—But at a whole of reporting level, because it flows through the Reserve Bank, which does the foreign currency, and then comes back into Defence, the actual amount of foreign currency would have been accurately recorded.

Senator CHRIS EVANS—And the GST problem—Defence did not pay \$12.4 million worth of GST over a two-year period?

Mr Cronin—The commercial contractor, which was a Canadian company, did not want to be involved in the GST arrangement, so Defence operated a reverse-charge agreement for a period of two years. What they should have done was account for the payments through their business activity statement, which they did not do. Under the arrangements, agencies are reimbursed under what are called section 30A agreements for GST that they pay. It flows back to them.

Senator CHRIS EVANS—Is it the only time this has occurred? We had an earlier one, didn't we?

Mr Cronin—We have had a series of them. We have had them on the M13 upgrade, we have had them on the FFG and we have had issues associated with this on the replacement fleet oiler. Generally speaking, what it relates to in the whole is what is a valid GST invoice.

Senator CHRIS EVANS—Has Defence got it right now or not?

Mr Cronin—We are only reporting on what we find on individual projects.

Senator CHRIS EVANS—When was the first report that you filed which came across this problem? I remember dealing with it a few years back.

Mr Cronin—It was the FFG upgrade, when we looked at report No. 45 of 2004-05, which related to the system program offices. We had a major component of that related to the FFG upgrade project.

Senator CHRIS EVANS—So you identified this first in 2004?

Mr Cronin—Yes. It was a 2004-05—

Senator CHRIS EVANS—And we are still finding—

Mr Cronin—I think it was May 2005 when we—

Senator CHRIS EVANS—That is when you finally reported?

Mr Cronin—Yes.

Senator CHRIS EVANS—But you would have been in there—

Mr Cronin—We had been there in 2004. That related to the whole basis of GST invoices. It relates on the whole to foreign currency transactions.

Senator CHRIS EVANS—So why, in 2007, are we still getting Auditor-General's reports which reveal the same problems that we identified in 2004-05?

Mr Cronin—They relate to GST. They generally have some different quirk about them. But, on the whole, they relate to the GST invoice.

Senator MURRAY—Are you looking for it in financial statements auditing or in your performance audits?

Mr Cronin—We have picked up issues relating to payments which have come down to the GST in the performance audits. Michael White can talk about the—

Senator MURRAY—So are you looking for this characteristic in your financial statement audits?

Mr White—That is correct—we do look for that.

Senator MURRAY—You are?

Mr White—Yes.

Senator MURRAY—The implication behind Senator Evans's question is that, if only 10 major projects have been examined out of 200, has this happened elsewhere. But, of course, your financial statement audits cover the whole field. Are you assuring us that the GST problem is pretty well identified, therefore, across the whole of Defence?

Mr White—I think there has been a lot of activity over the last few years in terms of reviewing that function and making sure that the issue is addressed in a global sense. I think that occasionally, as Colin noted, there will be some quirk in terms of a new agreement where it may come up as an issue again. But, on the whole, I think it has been reviewed and has had procedures implemented to contain it.

Senator CHRIS EVANS—There is a lot of material in the ASLAV report. I would be happy to go through it in more detail, but I want to move on. The other report I was having a quick look at is the *Management of Army minor capital equipment procurement projects*, which I think you brought down earlier this year. It was in September 2006. It seems to me that one of the major issues here was schedule slippage. It appears that, on buying such basic, fundamental equipment as a bulldozer, there was a four-year delay. There was a four-year delay in buying a grader and a four-year delay in the purchase of boots. I can understand when you are buying hi-tech equipment like the JSF—the Prime Minister goes to America, has a beer with George Bush and says, 'We'll take a few of those,'—that the science is not there, but I cannot understand why we cannot manage buying boots or a grader. I know they sound like small things but they are still projects worth significant amounts of money. Why is this slippage occurring?

Mr Cronin—The minor projects are projects costing less than \$20 million in Defence. The questions relate to the fact that there have been significant levels of slippage reported in the audit. Again, it must relate to the management of the delivery, which comes in two parts. When the capability area has asked for it—namely, the services—there may be a prolonged period of time between their specification of when they want the capability and passing across to DMO to deliver the capability and therefore contracting. So that there can be a range of issues. They may relate in part to DMO; they may relate to the forces having unrealistic expectations of when this equipment will arrive. From what you have outlined, I assume you are looking at table 1 in the brochure.

Senator CHRIS EVANS—I have got that, yes.

Mr Cronin—That reports on both capability that has been delivered and current ongoing projects. In all, we have covered 19-odd projects, of which I think about four had no slippage in them.

Senator CHRIS EVANS—That is right: 16 of the 20 did. This is why I raise it. This is a systemic problem; this is not a one-off—for instance, 'It rained a lot during the project and we

couldn't get the work finished.' These issues are systemic and they reflect, it seems to me, the same sorts of issues that are in your other audits: unrealistic or overoptimistic baseline schedules; poor programming of projects or underdeveloped or poorly specified capability requirements; inadequate project management methodology—all these things seem to be common themes throughout. While these look like small projects, there is about \$300 million tied up in the top 20, isn't there—\$290 million-odd or something? I thought I saw a figure somewhere of about \$290 million across the—

Mr Cronin—There is a considerable amount of money still tied up in Army minors. Army minors deliver significant capability to the Army and the major capability to the Air Force and Navy. These minors provide significant additional capability into Army. We looked at them because they are so significant to the ongoing capability for Army, and it is an ongoing program.

Senator CHRIS EVANS—You just looked at the top 20 because that is one of the ways Defence classifies them, is it?

Mr Cronin—Most of the audits we look at are audits of a project. This was of a program of work, so that provided us with coverage at a much higher level. We did not go down to the same detail we do on the other projects. We looked at the major issues. One of the things that comes out of that is looking at the schedule.

Senator CHRIS EVANS—But, in layman's terms, why is it that Defence cannot buy a set of boots on time and on budget?

Mr Cronin—I think for the reasons that you read from our report earlier.

Senator CHRIS EVANS—As I say, I can understand that with high-technological capacity, with things I cannot pretend to understand, like surveillance systems and the software that underpins those things; but I cannot understand it for boots. Boots are boots. Sure, you have to have a specification. Sure, it is very important to Army personnel that they are the right boots, but it is not a technically complicated area.

Mr Cronin—I understand that boots can be quite technically complex because of sizing and everything else, but this is at the lower end of the spectrum of complexity, and something that can be done, obviously, as a regular procurement exercise. DMO are in the business of large-scale procurement. It has 6½ thousand people who are in the business of procuring and sustaining capability for the ADF.

Senator CHRIS EVANS—Yes. It is one of the fastest growing sections of the Australian Public Service or the Australian economy, I think. What is the bottom line on the conclusions from the Army minor capital equipment procurement projects in terms of costs? Is this costing us more as we get these slippages?

Mr Cronin—One of the things we find repeatedly on these projects is that cost increases are not significant if you take out inflation, escalators, currencies et cetera. You may find that there is a scaling-back in the quantity of equipment that is acquired, albeit with some change in the performance characteristics. But, generally speaking, they stay within their cost caps.

Senator CHRIS EVANS—So, in order to come in under their cost caps, adjustments are made in terms of the numbers purchased per capability?

Mr Cronin—That is what we have seen—or there is a change in terms of some of the performance specifications. That is what we have seen across a number of audits.

Senator CHRIS EVANS—Is it made explicit by Defence that those decisions have been taken with the cost issues in mind?

Mr Cronin—We can only go by what is the major form of public recording, which is the portfolio budget statements and the annual report. Currently, that is a fairly truncated explanation of what are very complex projects. There is a proposal that the ANAO would undertake a top 30 projects annual review going forward. That would provide you with a lot more detail about the projects.

Senator CHRIS EVANS—I was going to come to that, and I will in a minute. You are saying that, while, on the face of it, some of these projects are coming in within their budget caps, in order to do so we have settled for either less quality or less capability.

Mr Cronin—That is what we have found in certain audits. One of the things that you generally find with many of the projects is you might have a project in which only about two-thirds of the budget is taken up with the prime contract. There are also lots of add-on functions which go with the project. There is always a contingency, and there may be training and infrastructure elements. Some of these can be sliced out or funded from other funding lines. For example, the FFGs would be one project where you would probably have only about two-thirds of the total budget relating to the prime contract. Therefore, there are other activities that go on. You will often find details of other activities in our reports. Tests and trials may be significant amounts of expenditure. Government furnished material—for example, in the Tiger helicopter project, to give you some idea—

Senator CHRIS EVANS—That is another special; we do not do helicopters well.

Mr Cronin—We have a breakdown for that. The prime contract is about \$1.1 billion, the support contract is nearly \$500 million and then there are tests and trials. All up it brings it to nearly \$2 billion. There are all these add-on features. In terms of the totality of the project, it may come in terms of that cost cap. They may move around factors within that or delete them.

Senator CHRIS EVANS—What should be best practice in relation to that? What is the answer to that—that we have one contract that encompasses all those things?

Mr Cronin—I think you are talking about the transparency of what is actually taking place. Obviously one of the areas to look at is public reporting so that you can actually see what the breakdowns are that occur at some agreed aggregate level—because these are obviously highly complex processes. Often, more than likely, they involve billions of dollars for the top 30 major projects. I think that is a question of the extent of transparency. At the heart of it is always the prime contract, and that is not the whole project. If the prime contract is not going well, nothing else is going well. And you have the project budget. On the whole you would focus on the prime contract.

Senator FORSHAW—You said that there are 6½ thousand personnel that boots would be ordered for.

Mr Cronin—No, there are 6½ thousand people in the DMO. That is the DMO staff who are ordering the boots.

Senator FORSHAW—I am just wondering what would be so special and unique that there would be particular problems. I can think of a whole range of other areas, in the public sector and in the private sector, where personnel of similar orders of magnitude would be involved. We could talk about police forces, school uniforms and all sorts of other areas where similar situations exist. I do not see why this is so special that you should have the sorts of problems that arise here.

Mr Cronin—The Army has special requirements.

Senator FORSHAW—So do a lot of other sectors of the economy. I guess that is what I was trying to get at.

Senator CHRIS EVANS—So do Rio Tinto and BHP.

Mr Cronin—There is the issue of sizing. People have different sizes.

Senator FORSHAW—Yes, but they all have those constraints.

Mr Cronin—Yes, in terms of complexity this is at the lower end of the complexity scale compared to the installation of a combat system on the frigates.

Senator FORSHAW—I understand, that is why I was intrigued by you endeavouring to suggest that there were still some special and unique problems that arise in regard to boots as if there is no other area of the economy or the service sector that does not confront having to order the same order of magnitude of uniforms.

Mr Cronin—It is generally put to us that most things relating to defence procurement are unique.

Senator FORSHAW—I know that is what is generally put. I was a member of the public works committee for a number of years so I heard this sort of thing in regard to some of the other projects that came before us.

Senator MURRAY—I am more interested in the question of whether these delays matter. I am not as assiduous in defence as Senator Evans, but the Army did not stop marching. They still had boots. In other words they were ordering them originally earlier than they needed them. That may be the case with many things. My question to you is: do you evaluate shortages or delays in terms of whether they affect capability?

Mr Cronin—This is something that has taxed our minds quite a bit. We are in the hands of the professional services. If you have a delay in a project and that platform has a finite life—say you have a five-year delay and it reduces the upgrade of that capacity which may go out of service in 2020—then you do not have that upgraded capability available. If you can afford a five-year delay, why did you need it in the first place?

Senator MURRAY—That is the story with the boots, isn't it? I did not read any reports of people walking around bootless being unable to march or perform.

Senator CHRIS EVANS—I will send you the emails from the servicemen complaining about their old ones.

Senator MURRAY—They might have complained that they were wearing out, but the fact is they could still function.

Mr Cronin—Yes.

Senator MURRAY—Do you distinguish between those things which do not matter much because they can still function effectively with what they have and those things which, by being delayed, result in a real loss of capability? I am not sure I have that impression from your material.

Mr Cronin—Let us say that at one extreme we have the boots and at the other extreme we have the FFG upgrade. Okay, they do not have the latest boots, the new boots, but why were they getting them? Is it because they were better than the preceding equipment? Yes, they have boots on their feet, but they are not as good as the new ones may be. If they are not as good, why do you need to change them? That is one thing. If you do not have that low level of capability then you have probably had some diminution of capability across the Army. At the other extreme, the FFG has a finite life and if it is running years late then the years you are going to get out of the upgraded capability will be diminished. In a sense, your payback period on your investment is going to be significantly less.

Mr McPhee—We measure Defence against their own standards that they set. It would be another audit to see whether capability was impaired because a particular item of equipment was not delivered as expected. As you can imagine, there are many compensations for equipment that does not come on-stream as per the expected date. Defence can take other actions to compensate for that. We never look at that because that would take more resources. We really are just aligning Defence against the standards they say they will meet themselves.

Senator MURRAY—You know me well; you know where I was going: you are testing their standards. Are they b-s-ing the government and the parliament by saying they need such and such now when in fact they need it a couple of years later? Only you can test that, nobody else can.

Senator CHRIS EVANS—That is not right. With respect, there is a \$6 billion reason for a problem. The capability to replace the F111 was to be the JSF. The delay in the JSF program and the provision of JSF to Australia has meant the government has taken the decision to buy an interim fighter, the Super Hornet, at the cost of \$6 billion.

Senator MURRAY—I am not making a general judgement—

Senator CHRIS EVANS—No, I am saying that is beyond the boots—

Senator MURRAY—I am making a judgement with respect to specific items.

Senator CHRIS EVANS—But there is a straight cost—an extra \$6 billion—

Senator MURRAY—Yes, I understand that.

Senator CHRIS EVANS—for capability delayed. That is not the fault of the Australian government in the sense that the JSF program was put back, but that is a cost to the Australian taxpayer as a result of the delay.

CHAIR—We might take a short break at this point.

Proceedings suspended from 9.32 pm to 9.41 pm

Senator CHRIS EVANS—I am going to ask a few questions that get to the broader issues rather than the individual reports, because while the reports are highly useful, to be frank, I

think people are becoming immune to them. When you have another Defence report that says we have overruns, blown-out costs, slippage in delivery and a range of accounting problems, everyone says, 'Oh well, we did that.' There is nothing newsworthy about that. The fundamental issue here is that when I read these, there is invariably a response from the department that said, 'Yes, we are working on improving that system, we have made a whole range of changes, DMO now have new procedures and all that is under control; don't you worry about that.' Quite frankly, this seems to have gone on under successive governments forever. But more recently we have had a whole series of major reforms—the Kinnaird reforms and the new structure of the DMO. Quite a considerable amount of resources have gone into DMO; it is a huge organisation. Dr Gumley is a very impressive character and is obviously working hard at the task. But the key thing for the committee is to get a sense of whether or not things are getting better and whether the assurances are justified. It seems to me the continuing Audit Office reports point to the fact that they are not getting fixed. As I say, some of these are so-called legacy projects, but a lot of this information and a lot of the problems are quite recent.

Mr McPhee, I do not know whether you are the one of whom I should ask this question, but what confidence should we have that Defence and DMO are tackling and overcoming the systemic problems that run through the 10 or so reports you have done over the last three years?

Mr McPhee—I think there are some positives. The Kinnaird approach to stronger investment in planning up front—the points that you made earlier—are very positive. Dr Gumley has made a difference. He is endeavouring to invest heavily in the systems and training that need to happen in DMO to get discipline and greater consistency in project management within DMO. One of the things we noticed is the inconsistency amongst projects. Some projects can be well run but others are not.

There are other dimensions to projects that need to be taken into account. Buying equipment off the shelf, for example, from the US, is a more straightforward exercise than modifying equipment for Australian conditions or for particular purposes. The risks go up in those circumstances, and we know the risks go up where there is software involved. So it is a case of seeking to manage the risks better by working with Australian industry, in particular, to manage those risks. One thing that DMO make the point to me from time to time is that, while they do their best, often they are let down by some of their partners in industry. While our audits always focus on what Defence or DMO are doing to administer these programs, the Audit Office and everyone else need to recognise that DMO partner with industry and not all of the problems are theirs alone.

As Mr Cronin said earlier, we only look at a very small proportion of major Defence projects, and so it is very hard to give you a general response. The other thing I would say is that we auditors are trained to be sceptical until we are persuaded otherwise, and so my scepticism is still appropriately high until we see evidence of changes seriously occurring on the ground. As yet, while there are signs, our reports are still highlighting issues with contract management and project management. I am the first to recognise their world is complex and the risks are high, but it is only through the disciplined approach to protecting the

Commonwealth's interests and managing these projects with greater discipline that DMO will get on top of it.

Senator CHRIS EVANS—Thanks for that. One of the concerns I have is that when you read the responses of the Defence department or when I hear Dr Gumley at estimates or, more broadly, when he speaks there does not seem to be much common ground between your critique and their self-assessment. Dr Gumley is always very positive about how well the reforms are working, and then I read a report that seems to imply quite the opposite. The tension for me, and I expect for the finance minister, is to try and work out where the truth lies. Is there a sense that you and Defence have a common understanding of the extent of the problem?

Mr McPhee—It is probably the case that we do not have a common understanding, but one of the proposals of the JCPAA recommends that DMO produce these reports on the top 30 projects. I think it will help to give a portfolio perspective on the major projects, which is what we are missing at the moment. The government is sympathetic with the recommendation and has asked the Audit Office and DMO to bring forward a cabinet submission for next year's budget for consideration on this particular project.

Senator CHRIS EVANS—I was asking about that, because I thought it might appear in this year's budget but it has not.

Mr McPhee—The committee recommended for this year's budget, but the government has asked for the submission to be brought forward for next year to give effect to the committee's recommendation.

Senator CHRIS EVANS—You are telling me the government has accepted the logic of it.

Mr McPhee—It was interesting that the Prime Minister said to give effect to the committee's recommendation, so I am reading positive signals into that. Clearly, it still needs to go through the normal cabinet processes but, importantly, the cabinet submission will allow us to get clarity on the nature of the sort of reporting. There are a range of issues that need to be settled in that and a range of options to deal with other issues relating to the report and resourcing, so that will give us time. We are already in discussion with DMO to start the ball rolling on that front. I think the benefit of that report is that it will show more in a portfolio sense whether DMO is performing better over time and it will also provide an external stimulus, if it is required, for DMO to focus on its own performance.

Senator CHRIS EVANS—I am pleased to hear that, because that has been my view for some time. Not that it matters now, but the 2004 ALP election policy included that provision based on the British experience that you needed that broader analysis of the projects. I guess my experience with the Seasprite was that you did not get that insight or the driver for action. You were going to do a broader inquiry into Defence procurement and the DMO. I think this was flagged back in 2002. That has not happened. Why hasn't that happened?

Mr Cronin—I think this related to an audit that we were going to do in terms of review of project management. We did an audit some years ago into overall DMO project management. It was a single audit looking at high-level project management. This was somewhat before my time, but I think that, in view of reforms which were taking place around 2000—Defence had

SMART 2000 and the introduction of life cycle manuals et cetera—I think we agreed to defer that audit.

We have gone to the process in recent years, since 2003 and 2004, of doing a series of project audits. In the past, we were at best doing about one project audit a year. Now we are up to doing three and four project audits a years to get an idea of how the major projects were actually functioning. We try to do audits on Army, Navy, Air Force et cetera. For example, with the Army, we have gone through and done the Bushmaster. We then did the M13 upgrade and the ASLAV. Now we are doing the tanks. So we are looking at major capability that would be delivered into the services. It is more specific and project oriented as opposed to looking at DMO in total.

Senator CHRIS EVANS—I accept that there was reorganisation going on in DMO. I just wondered what had happened to it. It shows that I have been here too long and in opposition too long—I noticed when we had the *Hansard* that I was asking you about it in September 2002. Don't the years roll by! The main hope then for a more systemic approach to analysis of the performance of Defence on projects is with the joint committee's recommendation on a top 30 projects initiative. This is a decision for budget because of the extra funding the Audit Office would require to provide that service?

Mr McPhee—Yes. I have flagged that it would cost around \$1.5 million a year to undertake that sort of review.

Senator CHRIS EVANS—And that is mainly staff costs, I presume, is it?

Mr McPhee—Yes.

Senator CHRIS EVANS—Would it work in the way that, for the projects remaining on the list, there would be less work in subsequent years?

Mr McPhee—One of the definitions, of course, is how we define the top 30 projects—whether it is the total project budget or the remaining expenditure under the budget. We would expect some projects to come off and some to go on each year. Because the report would deal with not only the time and cost budget but also the capability, we will need to get a fairly good understanding of Defence's assessment of capability and how they assess what is being delivered and when. There is a fair bit of traditional auditing, if I can call it that, to go on to understand their systems. While we are pretty good on the dollars, we do not spend much time on the time and capability. We have more work to do there.

Another thing that I would like to come out of the report—and it is early days—is some analysis around what is working well and what is not working so well. It is meant to be a beneficial exercise to understand what is happening behind the figures and the numbers. That is where its greatest benefit will be.

Senator CHRIS EVANS—Is there a sense now that Defence is willing to accept that sort of scrutiny from—

Mr McPhee—Yes, Dr Gumley has indicated support for the approach, so it is just a case of working together. We are working on the basis that DMO will provide the base reporting. Whatever format is agreed, they will provide it and we will provide a level of assurance over the top of the report, and do some of the analysis. It may be that we can do the analysis

together. We have not worked that through at that level of detail. It is a joint exercise and we need to be on the same wavelength in terms of what is going to be prepared and what sorts of opinions we will provide.

Senator CHRIS EVANS—Have you had a close look at what is happening in the British system and other systems in that regard?

Mr McPhee—Yes. We have and we will probably do more of that in the lead-up to the preparation of the cabinet submission. We do look at the US and the UK approaches.

Senator CHRIS EVANS—Can I have a brief summary of your sense of the British system and whether it is delivering results.

Mr McPhee—It is certainly a useful model for us to be considering and I quite like some of the analysis that goes in behind the numbers that are produced in the reports. I think you can always benefit from looking overseas.

Senator CHRIS EVANS—Do not tell me you are going to tailor it for Australian conditions. I might think Defence is infecting you!

Mr McPhee—I would like to look at what the JCPAA have indicated they are interested in. We will clearly consult with the committee seeing as it is their recommendation and make sure it suits their purposes. Also, there would be no reason why we could not consult with this committee in terms of the format as well. Clearly, the government and the minister will have a view as well.

Senator MURRAY—I gave them a set of the British reports to use.

Mr McPhee—Yes.

Senator CHRIS EVANS—I am pleased to hear we are making progress on that front and I am pleased to hear that both Defence and the government are engaging positively in that reform. I have noticed in a number of the reports the question about compliance with the Financial Management and Accountability Act—and the answer will probably lose me—but Senator Murray and Senator Watson will probably understand it. Is it an important issue that there seem to have been breaches of the Financial Management and Accountability Act?

Mr McPhee—I guess there are two things to be said. One is that they are not Robinson Crusoe in this space; there are other agencies that have issues. There has been an emphasis not only from the parliament but also from the government in recent times to make agencies aware of their responsibilities to adhere to the legislative framework. That is not surprising and it is quite appropriate in fact. I guess we have been hammering Defence in recent times about the importance of certain compliance matters because the reason these requirements are in place is to ensure consistency with the laws of the land and also as matters of good practice. Sometimes Defence trip over their own rules, and I suspect there is an opportunity for Defence to improve their own processes. They have a lot of rules and sometimes, like the red-tape review that has gone on more broadly, there are opportunities to ensure that your own procedures and practices are sound and not overdone as well. We take the attitude as auditors that if an agency has rules in place then staff are expected to adhere to them, and if they do not we would report that matter. It has been an issue.

Senator CHRIS EVANS—Are they issues of technical breach rather than—

Mr McPhee—Often they are technical breaches. But coming into effect at the end of this financial year, all chief executives will be required to provide a certificate of compliance within the financial management framework, through the finance department. That is having the effect around town of focusing the minds of CEOs in terms of their own agency's compliance. So most agencies are going through a process to ensure that they have the systems in place to make sure that delegates understand their responsibilities and provide a sign-off at the end of the year indicating that they have done what is expected. In turn, the CEO can rely on that in providing his or her sign-off. Defence is doing that and putting in place arrangements which will no doubt highlight areas of non-compliance, and hopefully it will give the right signals to the senior and junior managers in the place about the importance of compliance.

Senator CHRIS EVANS—Thanks for that.

Senator WATSON—The future of public sector accounting standards appears to some to be very much at the crossroads. What is the direction that you would like to see or recommend to the parliament in terms of the evolution and application of public sector accounting standards?

Mr McPhee—This issue has been contemporary for the last 20 years. I think we have a positive approach in Australia in the sense that we endeavour to use a common body of standards across the private and the public sectors but, importantly, that body of standards recognises that the public sector is different in certain ways. I am a supporter of that approach in Australia because we are too small to develop separate sets of accounting standards and, basically, an asset or a liability is the same whether it is in the public or the private sector. However, the differences I talk about are particularly in relation to taxation, which is special to the public sector. Raising revenue through taxation requires special consideration from an accounting point of view, as does the distribution of grant funding, because that is public sector specific as well. I think we need a hybrid model which basically builds on the traditional or private sector view of accounting standards but recognises that certain areas of the public sector are different. That is largely the approach that the Australian Accounting Standards Board is taking.

My position has been to suggest that they do not do away with any of the public sector specific standards until they have properly dealt with the issues within the mainstream body of standards. I think that has been accepted by the Australian Accounting Standards Board as well. There is still a lot to be done, as you know. You have been following this and contributing significantly, as has the JCPAA, to this whole process. Australia is well regarded in terms of public sector financial reporting, but we are not there yet and there is still significant work to be done.

Senator MURRAY—This year will be the first year you audit the Future Fund. We all know it is not yet up and running in its full intention. What will your audit focus on in the financial statements sense of an audit? Are you inclined to, or will you not, stray into the area of provisions? Let me explain that before you answer. Essentially, the Future Fund is constituted with a specific objective: it is there to provide for unfunded superannuation liabilities in the public sector. The difficulty is that there is continual commentary in the informed media as to when the unfunded superannuation liabilities will be satisfied. Some

people write that within a couple of years it will be all hunky-dory and there will be enough money in there to cater for the future needs, and others stretch it out. Perhaps 'provisions' is the wrong word, but you know what I mean by that. Does that give you an understanding of what I want?

Mr McPhee—Yes. Let me start. I appreciate that the minister is next to me and has a great interest in the Future Fund as well.

Senator Minchin—Do not let me inhibit you.

Mr McPhee—Firstly, the Future Fund did prepare financial statements last year as well, but there was money in the Reserve Bank—even though it was a substantial amount—so it was not a difficult to audit to verify the balances. There are already some issues to deal with this year in terms of the Future Fund, with the holding of the Telstra shares, and there are issues around the valuation of those which we will work through with the Future Fund. I guess it depends on how much investment activity they become involved with between now and the end of the financial year as to the extent of the coverage of any investment activity in that area. In terms of the issue about the size of the fund and the superannuation liability, the financial statement audit is straightforward. The fund has what is given to it by the government as well as its investment returns. The model is set up in such a way that there is not a tight linkage between the fund and the superannuation liability in an auditing sense. It is not as though the fund has the liability attached to it; the liability is distinct, separate and reported by the finance department. I think the government has a policy intent to build up the fund over a period of time to allow it to meet the liability as and when it falls due.

Senator MURRAY—What you are saying to me, then, is that to evaluate whether the amounts invested and available are adequate and when they will be adequate to meet the unfunded superannuation liabilities would require a performance audit; it would not arise out of the financial statements audit?

Mr McPhee—Correct. We will flag that potentially we may do a performance audit after the fund has had sufficient time to establish itself. But at the end of the day of course, while we would report factually on the state of the fund, I guess that, if the government has laid out expectations in terms of when the liability will be met, we could look at and report on that. But we clearly cannot comment on government policy and whether or not the government decides to put the balance of the surplus in it. That is a matter for them.

Senator MURRAY—To do the performance audit, you would have to do a cross-fund audit. You would have to audit the CSS, the PSS, the military superannuation fund and the Future Fund to see what is going on in all of them, to work out by when sufficient funds would be available to satisfy the unfunded need. That is correct, isn't it?

Mr McPhee—Yes. If that were the focus, you would look at that and probably look back at actuarial reports and assessments.

Senator MURRAY—So, practically speaking, when would you envisage a performance audit would be appropriate—in the years 2009-10 or 2010-11? Plainly not 2007-08.

Mr McPhee—We have not been that specific. We have just always flagged that, because it is an agency, in public sector parlance, it is subject to the provisions of the Audit Act. We have

said that we may look at the governance arrangements, for instance, for the Future Fund. We had in mind more the governance arrangements than the issue that you are raising about whether the balance of the fund is going to be sufficient to meet the liabilities by the due date. Potentially, that could be a focus, but we have not given any consideration to it.

Senator MURRAY—You would understand the reason I raised the issue. Once the projected liability is satisfied, then the question is: if there were surpluses at that stage, where would they be placed? Would they continue to be placed in there—in which case you would use the money for purposes other than superannuation liabilities—or would they be placed somewhere else, such as in this endowment fund for education? That is really what is in my head.

Mr McPhee—I suspect that the treasury and the finance departments will be ahead of us in their thinking about those matters. We will report what has actually happened.

Senator MURRAY—We are not getting clear figures though.

CHAIR—As there are no other questions for the Australian National Audit Office, we will adjourn. Mr McPhee, thank you very much. Thank you too, Senator Minchin.

Committee adjourned at 10.10 pm