



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

STANDING COMMITTEE ON FINANCE AND PUBLIC
ADMINISTRATION

ESTIMATES

(Additional Budget Estimates)

FRIDAY, 22 FEBRUARY 2008

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

Friday, 22 February 2008

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

Senators in attendance: Senators Allison, Birmingham, Boyce, Brandis, Bob Brown, Carol Brown, Coonan, Fierravanti-Wells, Fifield, Forshaw, Johnston, Joyce, Lundy, Ian Macdonald, Milne, Moore, Polley and Watson

Committee met at 9.02 am

FINANCE AND DEREGULATION PORTFOLIO

Consideration resumed from 19 February 2008

In Attendance

Senator Sherry, Minister for Superannuation and Corporate Law

Department of Finance and Deregulation

Executive

Dr Ian Watt, Secretary

Mr Matthew Roper, Executive Officer

General

Ms Jan Mason, General Manager, Corporate and Parliamentary Services

Mr John Edge, Division Manager, Corporate Services

Mr David Yarra, Chief Audit Executive

Mr Duncan McIntyre, Branch Manager, Parliamentary and Corporate Support

Mr Michael Hirschfeld, Branch Manager, Strategic Partnerships

Ms Philippa Crome, Branch Manager, HR Services Branch

Mr Bruce Brown, Special Counsel, Legal Services Branch

Mr Greg Smith, CAPS Point Person

Ms Ann Hansen, CAPS Point Person

Ms Glenda Ellis, Senate Estimates Coordinator

Mr Daniel Collet, Senate Estimates Coordinator

Ms Jessica Wilson, Senate Estimates Coordinator

Mr Chris Markovitch, Acting General Manager, Financial and e-Solutions Group

Ms Kym Partington, Branch Manager, CFO Unit

Outcome 1

Dr Paul Grimes, General Manager Budget Group

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

Mr John Ignatius, Division Manager, Social Welfare Division

Mr Peter Saunders, Division Manager, Government and Defence Division

Ms Jackie Wilson, Division Manager, Budget Policy and Coordination Division

Ms Trixie Makay, Special Adviser, Budget Group Review Implementation, Budget Group

Ms Donna Phillips, Branch Manager, Budget Coordination Branch

Mr Tim Pyne, Branch Manager, Budget Analysis Branch
Mr Geoff Panton, Branch Manager, Central Agencies Branch
Ms Thea Daniel, Branch Manager, Immigration and Foreign Affairs Branch
Mr Phil Richardson, Branch Manager, Human Services Branch
Ms Nicole Lamson, Budget Group Point Person
Ms Kathryn Campbell, General Manager, Financial Management Group
Mr Mike Loudon, Division Manager, Financial Framework Division
Mr Marc Mowbray-d'Arbela, Branch Manager, Legislative Review Branch, Financial Framework Division
Mr Colin Plowman, Director of the Office of Evaluation and Audit
Mr Peter McCray, Division Manager, Deregulation, Funds and Superannuation Division
Mr Alan Greenslade, Branch Manager, Deregulation Policy Branch, Deregulation, Funds and Superannuation Division
Mr George Sotiropoulos, Branch Manager, Superannuation Policy Branch, Deregulation, Funds and Superannuation Division
Mr Tim Youngberry, Division Manager, Financial Reporting and Cash Management Division
Mr Brett Kaufmann, Branch Manager, Financial Reporting Branch, Financial Reporting and Cash Management Division
Ms Su McCluskey, Executive Director, Office of Best Practice Regulation
Ms Danielle Finnigan, FMG Point Person

Outcome 2

Mr Simon Lewis, General Manager, Asset Management Group
Mr Robert Butterworth, Division Manager, Shareholder and Asset Sales Division
Mr Rick Scott-Murphy, Division Manager, Property and Construction Division
Mr John Grant, Division Manager, Procurement Division

Outcome 3

Ms Jan Mason, General Manager, Corporate and Parliamentary Services
Ms Kim Clarke, Division Manager, Ministerial and Parliamentary Services
Ms Suzanne Pitson, Acting Branch Manager, Entitlements Policy
Ms Carolyn Hughes, Branch Manager, Client Services
Mr Ken Sweeney, National Manager, COMCAR
Mr Greg Miles, Branch Manager, Entitlements Management
Mr Stephen Taylor, Branch Manager, Legal and Contracts
Mr Greg Smith, CAPS Point Person
Ms Ann Hansen, CAPS Point Person
Mr Brett Quester, Director, EOIT, FeSG

Outcome 4

Ms Ann Steward, General Manager, AGIMO
Mr Patrick Callioni, Division Manager, AGIMO
Mr Peter Alexander, Acting Branch Manager, Online Service Point Branch
Mr Brian Stewart, Branch Manager, Strategic Directions Branch
Ms Kayelle Wiltshire, Branch Manager, Service Delivery Operations Branch

Australian Electoral Commission

Mr Ian Campbell, Electoral Commissioner
Mr Paul Dacey, Deputy Electoral Commissioner
Mr Tim Pickering, First Assistant Commissioner Electoral Operations
Mr Paul Pirani, Chief Legal Officer

ComSuper

Mr Leo Bator, Chief Executive Officer
Ms Michelle Crosby, DCEO Internal Services
Mr Marcus Markovic, DCEO Information and Technology Solutions
Ms Emily Canning, Chief Financial Officer

Australian Reward Investment Alliance

Mr Peter Carrigy-Ryan, Acting Chief Executive Officer
Mr Kevin Thompson, Head of Finance

National Archives of Australia

Mr Ross Gibbs, Director-General, National Archives of Australia
Mr James Barr, Deputy Director-General, National Coordination
Ms Karen Sheppard, Director, Finance

Future Fund

Mr Paul Costello, General Manager, Future Fund Management Agency
Mr David Neal, Chief Investment Officer, Future Fund Management Agency
Mr Paul Mann, Head of Finance, Future Fund Management Agency
Mr Gordon McKellar, Head of Operations, Future Fund Management Agency

CHAIR (Senator Polley)—Good morning. 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 additional expenditure for 2007-08 for the parliamentary departments and portfolios of Prime Minister and Cabinet, Finance and Deregulation and Human Services. The committee may also examine the annual reports of the departments and agencies appearing before it. The committee has fixed 4 April 2008 as the date for the return of answers to questions on notice.

The committee's proceedings today will begin with its examination of the Future Fund Management Agency. The committee will then hear from the Department of Climate Change, the Department of Human Services, Centrelink and Medicare. I propose to proceed by opening with general questions of the Future Fund Management Agency and then calling on departments and agencies in the order listed on the program.

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 maybe 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 expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees, unless the parliament has expressly provided otherwise.

The Senate has also resolved that an officer of the department of 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 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 shall 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 something is commercial in confidence must be made by the minister and accompanied by a statement setting out the basis for the claim, including what possible commercial harm may result. An officer called to answer a question for the first time should state their full name and the capacity in which they appear. Witnesses should speak clearly into the microphones to assist Hansard to record proceedings. Mobile phones should be switched off.

[9.05 am]

Future Fund Management Agency

CHAIR—I welcome the minister representing the Minister for Finance and Deregulation, Senator Sherry, and officers from the Future Fund Management Agency. Senator Sherry, thank you for making yourself available to the committee this morning. Do you wish to make an opening statement?

Senator Sherry—No, I do not.

Mr Costello—We would like to take just a couple of minutes at the beginning to bring the committee up to date with where the fund and the portfolio are at.

CHAIR—Thank you. You may proceed.

Mr Costello—I am joined by some of my colleagues—in particular, David Neal, who joined our organisation in the middle of last year as the chief investment officer. I am also joined by Gordon McKellar and Paul Mann, who head up our operations and finance areas respectively. We will take two to three minutes at the start to give the committee some sense of how our organisation has changed since we were last here—it is clear it has been growing—and also to provide an update on the portfolio so that the committee and other interested parties can get a sense of what the portfolio looks like and how it has been travelling.

Since we were last here, our organisation has grown substantially and is now almost 30 people. At the beginning of last year around this time, we only had two or three permanent staff. It has been a busy year for us in terms of building a team of people to work with the Board of Guardians on the management of the portfolio. Around half of those people work in

the investment policy area, working with the board on the design of the strategy, and the other half are involved in other functions and in implementation.

Also since we were last here, the Higher Education Endowment Fund has been seeded. We have received two injections of capital, each of \$3 billion, into the Higher Education Endowment Fund and we are now holding \$6 billion under a temporary mandate given to that fund, which is to be invested in low-risk, cash-like securities. We will cover that during the day.

Perhaps of more particular interest is our handout of a single page, with the heading 'Future Fund portfolio (ex Telstra) to 31 January 2008', on which there is a summary of the current structure of the assets in the Future Fund portfolio, which we are keen to run through with you. As for the value of the Future Fund, excluding Telstra, we are working under an arrangement whereby we report the value of the Telstra holding separately. They are aggregated, but we focus very much on reporting on the cash contributions we have been given and on the Telstra portfolio separately. As you will see on the page coming around, there is \$50.5 billion worth of assets in the Future Fund portfolio, excluding the Telstra shares. You will note that we have divided that into those four asset classes. Around a quarter of the fund is invested in equities or listed property, leaving around three-quarters still sitting in cash. We will talk about that during the morning.

The split between Australian and global equities remains an area that we are working on. As we said in our annual report last year—and we have brought with us additional copies of last year's annual report, if the committee would like to see it—not too much should be read at any point in time on that split. I think that is all I really wanted to say. I wanted to make sure that the committee had this information so it would help with any questions you want to raise during the morning.

Senator BRANDIS—We will start with the document you have just tabled. I am looking at page 21 of the annual report. As at 30 June last year, excluding Telstra shares, the cash held by the fund was 91 per cent of its total assets. It is now a little under 75 per cent, so you spent another 16.2 per cent in investment; is that right?

Mr Costello—Correct.

Senator BRANDIS—I note that you have a class of investment in the document you have circulated this morning listed as 'global property'. Was that within the category of international equities in the pie charts in the annual report or is that a new asset class?

Mr Costello—That is a sector entered into since 30 June last year.

Senator BRANDIS—I understand you want to be circumspect about investment strategies, but do you foresee the investment of the remaining 75-odd per cent of the cash held—it is held with the Reserve Bank, isn't it?

Mr Costello—Some of it is, but much of it now has been invested in a range of other areas where we can see the return being slightly higher.

Senator BRANDIS—Other than the Reserve Bank, where else has the cash been placed?

Mr Costello—We hold a large portfolio of bank bills. We felt that the return on those relative to the risk incurred was very attractive. Perhaps a little later I might get David to talk about that. Bank bills now comprise the majority of what we have described here as ‘cash’.

Senator BRANDIS—Can you tell us with more particularity what the value of the bank bills is?

Mr Costello—Bank bills would be around 95 per cent of the cash holding. So we are holding a relatively small amount. Around five per cent of our cash allocation is still with the Reserve Bank. The rest of it is sitting in bank bill mandates.

Senator BRANDIS—Are there any other classes of cash assets other than bank bills and what you hold at the Reserve Bank?

Mr Neal—No, there is no other cash. It is purely—

Senator BRANDIS—Which banks do you hold the bank bills with?

Mr Neal—The vast bulk of our portfolio is with the largest prime majors. The bulk is with the Commonwealth Bank, ANZ, National Australia Bank, Westpac and St George. Those hold the vast bulk and we then have a smaller amount in other banks, but all are highly rated. We do not have exposure to any banks below an A-plus credit rating.

Senator BRANDIS—Are there any international banks?

Mr Neal—There are a handful of international banks—Deutsche Bank, a small amount to Citibank, Royal Bank of Scotland.

Senator BRANDIS—Mr Neal, you are obviously reading from a document. Could you either table that document or, if the document you have is not in a form suitable to be tabled, could you provide us with a table setting out the holdings and bank bills at the moment and the value of the holdings with each branch?

Mr Neal—I would like to think about that a little. Obviously providing very detailed information about the exact breakdown of our portfolio is quite sensitive. You will appreciate these are large sums of money that we have to manage within this portfolio and if the market is aware of what our strategy might be, that can make it rather difficult for us and affect our return.

Senator BRANDIS—Is it not possible for you to give us an indication simply of what the holdings in bank bills are without disclosing too much information for the comfort of the investment strategy?

Mr Neal—I can tell you the total amount and the list of eligible—

Senator BRANDIS—We know the total amount. It is 95 per cent of 74.8 per cent.

Mr Neal—I can give you the list of the eligible names. I am a bit reluctant to give a full breakdown of the portfolio. I am not quite sure how to do that other than that.

Senator BRANDIS—Perhaps you can provide it to us in camera.

Mr Costello—I think that would be the way to do that.

Senator WATSON—Are all the bank bills in Australian banks or are some overseas?

Mr Neal—There are a handful of overseas banks, all issuing in the local market and all high quality banks.

Senator FORSHAW—Can we be clear on what you are going to provide in camera. Do you want a spread of the institutions, Senator Brandis?

Senator Sherry—I think he wants the quantum as per each institution. Is that what you are seeking, Senator Brandis?

Senator FORSHAW—That is why I want to know exactly what he wanted.

Senator Sherry—Senator Brandis, my understanding is that you want a list with the name of each institution and quantum.

Senator BRANDIS—Correct.

Mr Costello—We can do that. I think doing that in camera would be the way to progress that.

Senator WATSON—Are we happy? We should have a resolution if we do not accept things in camera.

Senator BRANDIS—I move the appropriate resolution.

Senator Sherry—I am indicating a willingness. The officers have indicated a willingness to provide the information. If you meet whenever and determine what the correct resolution should be, the information will be provided.

Senator BRANDIS—Thank you very much, Minister. That is very cooperative. What has the effect of the recent downturn in international equities markets been on the holdings of the fund? Can you take us through the three categories—other than cash, you have identified Australian equities, global equities and listed global property.

Mr Costello—There is no doubt about it that the last couple of months, and in particular January, has impacted any investor holding equities around the world. So our portfolio clearly has been less impacted by that than many, but still holding a quarter of the portfolio in these assets has—we have seen declines in values from what we held at the end of last year. In answering that question, the fact that we are holding three-quarters of the portfolio in cash is a combination of two things. It is partly materially recognising the newness of the organisation and the fact that we started off, as we observed in the annual report, with a cash portfolio and we were transitioning it other assets, so there is a timing aspect to it. It is also materially a decision we made internally to just slow that program down as the year progressed. That has been an influence on that number as well.

Senator BRANDIS—I am not being critical, Mr Costello. I am not making any political points; I am just seeking information. As at 30 June last year, 4.3 per cent of the value of the portfolio was held in Australian equities worth \$1.85 billion and now 8.8 per cent is held, I read, in Australian equities worth \$4.461 billion. Given that this is a moving target, because the aggregate of Australian equities has expanded, can you take us through the effect within the Australian equities market of the downturn on the portfolio?

Mr Neal—Broadly speaking, across most equity markets including Australia, the returns for the year to date are of the order of minus 15 per cent—quite a significant downturn. To the

extent that we have had money in there for the whole of that period, then that has been exposed to that full 15 per cent. Obviously, we have been buying throughout that period, so not all of our exposure has had that full downturn. To be fair, the bulk of that downturn has been exposed from the assets that we have currently got. It is a relatively small part of our portfolio that has actually been offset by the returns on the cash portfolio.

Senator BRANDIS—That is why I want to deal with it category by category, of course. Staying with the Australian equities market, what diminution in the aggregate value of the Future Fund's holdings is represented by a decline in that part of the holding represented by Australian equities since 30 June?

Mr Neal—That is a very tough question to answer because, of course, we have been investing throughout the period.

Senator BRANDIS—I understand there is a turnover and there is a churn, as it were, but you must be able to give us some idea.

Senator WATSON—Market value to market value?

Mr Neal—I do not have the book value and that is what I would need ultimately. The assets that we had invested at the end of June have gone down by 15 per cent.

Senator BRANDIS—That is a 15 per cent reduction in what was, as at 30 June, holdings of \$1.85 billion worth of assets. Since then, you have roughly doubled that component of the fund to 8.8 per cent. So the 30 June position is that the value of the Australian equities held then has fallen by 15 per cent. Is that what you are telling us?

Mr Neal—Yes, and the assets we have acquired have also, it appears to me—

Senator BRANDIS—Obviously, that is the next thing I am coming to. Of the additional Australian equities acquired between 30 June and 31 January, in that seven-month period, what has been the loss overall in relation to those?

Mr Neal—I do not have precise numbers, but my guess would be that of the order of \$600 million or \$700 million of market value probably would have been lost over that period from that exposure to the—

Senator BRANDIS—\$600 million or \$700 million on top of the—

Mr Neal—No, that is in total.

Senator BRANDIS—So that includes the 30 June holdings.

Mr Neal—Correct.

Senator BRANDIS—So the Future Fund in this category has lost \$600 million or \$700 million.

Mr Neal—In that category, yes.

Senator WATSON—This is getting confusing. In some cases, you are talking about percentages in terms of decline in the Australian equities; in terms of the global equities, you are talking about aggregate amounts. Can we have both figures or be consistent?

Mr Costello—I am not sure that we are inconsistent. We have expressed the portfolio presently in dollar value and percentages. We then have been asked to comment specifically

on the change in value of holdings through time. To enable us to do that, we have been clear what the dollar value of holdings were. At the beginning of the financial year, we have noted that holdings increased and we have been able to comment on the percentage change in value and an approximate dollar equivalency of that for part of that. I think we have tried to make the point that we were purchasing through that period and there is a range of answers, depending on the time.

Senator WATSON—That is taken into account when you compare the valuation at the beginning and the valuation at 31 January.

Senator BRANDIS—I think Mr Costello's point is that the holdings have been expanding all the time, so it is not a simple date-on-date comparison. But surely this portfolio is valued on a daily basis.

Mr Costello—It is.

Senator BRANDIS—Is it valued more frequently than on a daily basis?

Mr Costello—No.

Senator BRANDIS—As it is valued on a daily basis, you must be able to produce a chart which will show us on each trading day, from 1 July 2007 to 31 January 2008, what the movements have been and what has been the change in the value of the assets, speaking from each consecutive day. Can you speak rather than just nod?

Mr Neal—Yes, we could provide that.

Senator BRANDIS—Again on an in camera basis, can we have that please?

Mr Costello—Certainly the information is there and, if that would be valuable—the answer to that is yes. I think it is important to—

Senator BRANDIS—I am sorry to interrupt you, Mr Costello but, before we go on: we would not need to ask you to provide that on an in camera basis, would we, because these are historical matters and I am not asking you for the content of the portfolio; I am merely asking for the bottom line, as it were, on each trading day as to how the value of the portfolio's standing on that day has changed from the previous trading day. So we are talking about a single figure and a single percentage calculation per day. You could provide that openly, couldn't you?

Mr Costello—Your point is correct, but that does not have embedded in it forward-looking information that could impact our assets.

Senator BRANDIS—So you are quite happy to provide that information, not on an in camera basis but on an open basis?

Mr Costello—Yes, we could do that.

CHAIR—I would remind the committee that we cannot take in camera evidence during an estimates hearing. We would have to have a private meeting.

Senator BRANDIS—I am sure we could. As the minister has very helpfully said—

Senator Sherry—That is what I was suggesting.

Senator BRANDIS—we could have a private meeting at morning teatime or at any time during the course of the day, Madam Chair.

CHAIR—Yes.

Senator BRANDIS—By when could those figures be provided please—the day-by-day change in the value of the Australian equities?

Mr Costello—The information is there. It is really a case of collating it and trying to present that in a way that is easy to see. I imagine that we could certainly achieve that in a week.

Senator BRANDIS—There would be roughly 140 trading days between 1 July and 31 January, wouldn't there, assuming 20 days a month?

Mr Costello—If the committee was prepared to give us a week, that would be a comfortable time frame in which to get that together and get back to you.

Senator BRANDIS—You are saying that you are not in a position to do it today?

Mr Costello—The information is there. I would like to ask some people as to what would be involved and that and how quickly they could get that together.

Senator BRANDIS—Are any of the gentlemen sitting in the back of the room your staff?

Mr Costello—They are.

Senator BRANDIS—Perhaps they might initiate that inquiry for us.

Senator Sherry—Senator Brandis, I am keen to assist, but we will take the provision of that information on notice. We will make our best endeavours to get it to you as soon as possible. The witness has indicated that it could take up to a week.

Senator BRANDIS—I understand that. I was merely inquiring whether it could be done today. If it cannot be done today, of course, it cannot be done today. But, if it is merely a matter of generating a document which exists somewhere in electronic form and which is almost instantaneously retrievable, I wonder whether perhaps that could be done and an inquiry into form in which that data is held could be made now.

I really wanted to make the same inquiries in relation to the other two categories of investment: global equities and limited global property. I see that the percentage of the fund held in global equities has increased, over the last seven months, by 10½ per cent from 4.7 per cent, excluding Telstra, to 15.3 per cent. The value on 30 June was \$2 billion and the value today is \$7.7 billion. Again, that component of the fund would have taken a hit, no doubt, from the downturn in global equities markets?

Mr Neal—That would be correct, yes.

Senator BRANDIS—You were able to tell us that you thought the loss in the Australian equities component was of the order of \$600 million to \$700 million. Are you able to give us a broadbrush estimate of the loss to the fund in the international equities component?

Mr Costello—There is a currency element to this as well—

Senator BRANDIS—I am sure there is.

Mr Costello—and I think we would need to integrate the two together. I would certainly prefer to get accurate information to you as quickly as possible.

Senator BRANDIS—Of course, and that is very proper. But, for our purposes today, to give us just some guidance are you able, to closest hundred million, to give us an idea as to how much the fund has lost in the last seven months within that category of investment?

Mr Costello—Can we come back to that question a little later? I will see if we can get something—

Senator BRANDIS—Certainly. In the meantime, can I also ask you to provide us with the same day-by-day information in relation to the global equities component as you have kindly agreed to provide in relation to the Australian equities component from 1 July to 31 January?

Mr Costello—Yes.

Senator WATSON—Can we also have it expressed in percentage terms?

Senator BRANDIS—I asked for that, Senator Watson, with the first category. I assume that Mr Costello will do the same with each category. Is that right?

Mr Costello—That is right, and I guess that—

Senator BRANDIS—Would you undertake to do that?

Mr Costello—Yes.

Senator Sherry—When you make the request for each category, are you including the cash category as well?

Senator BRANDIS—No. For the moment, I am just going through this list one by one. Now I am up to the third item, listed global property. When we say 'listed global property', is that all investments in offshore property trusts, or does it include a component of Australian domestic property?

Mr Costello—It includes a component of Australian domestic properties.

Senator BRANDIS—What is the split?

Mr Neal—It is roughly 12 per cent in Australia, I believe.

Senator BRANDIS—Where is most of the property? Is it in the United States, for example?

Mr Neal—The global listed property market would be split roughly as 50 per cent in the US, 30 per cent in Europe and 20 per cent in Asia—that type of split.

Senator BRANDIS—And the 20 per cent Asia includes the 12 per cent in Australia, does it?

Mr Neal—That is right.

Senator BRANDIS—So it is eight per cent Asia, if we exclude Australia. Is that right?

Mr Neal—I believe so, although—

Senator BRANDIS—Again, you might check those figures and come back to us with more particularity.

Mr Neal—Yes, I think we should check those figures.

Senator BRANDIS—These are investments in property trusts, to use a slightly imprecise expression, aren't they?

Mr Costello—Yes.

Senator BRANDIS—Presumably, because of what has happened in the American property market, the value of this investment has declined as well?

Mr Neal—That is right. The value of the decline in these markets is roughly equivalent to the decline in equity markets.

Senator BRANDIS—It is only one per cent of the portfolio, half a billion dollars, but are you able to give us a rough idea as to how much the portfolio has lost in this category?

Mr Neal—Again, it is a little complex because of the currency aspect, but obviously it is a smaller number in terms of dollars because it is a smaller exposure. We can include that information in the—

Senator BRANDIS—It would be more than \$100 million, wouldn't it?

Mr Neal—No, I do not suppose it would be more than \$100 million.

Senator BRANDIS—Once again, if you would be good enough to do the same exercise for me, please, on a day-by-day basis, from when this asset class first began to be acquired until 31 January—an assessment of daily movements. Given what we knew about the state of the American property market 12 months ago and what economists were predicting then, was it wise to weight that category of the Future Fund's investment 50 per cent in American property?

Mr Costello—I will answer that question, if you would just indulge me for 30 seconds to point out that the collective position, after we have taken out line by line, is a positive result for the Future Fund.

Senator BRANDIS—We understand that.

Mr Costello—We have not had the chance to state that.

Senator BRANDIS—I thought you did in your opening remarks.

Mr Costello—No.

Senator BRANDIS—I thought you did. In any event, you will understand why there is a difference between a largely passive cash holding and a decision to invest in a different class of financial asset. We, as the parliament, are entitled to scrutinise decisions which have resulted in losses of hundreds of millions of dollars of taxpayers' funds.

Senator Sherry—Sure, Senator Brandis. However, I know that Mr Costello pointed out that the decision in part to hold a substantial quantum in cash was an active decision.

Senator BRANDIS—That is a fair point. But, nevertheless, over the seven-month period under review, the cash holding—excluding Telstra shares—has, as we have established, gone from 91 per cent of the fund to 74.8 per cent of the fund. So, although I accept that the cash assets are active management as well, this is a time at which you have been getting out of cash—and it has been lineal, hasn't it? You have been—over these seven months, to the tune

of about \$16 billion—getting out of cash and getting into the Australian and international equities market and listed global property, of which we now learn 50 per cent is constituted by American property. I come back to my question: was it wise, given what we knew about the state of the American property market as long as a year ago to weight that component of the fund 50 per cent to American property?

Mr Costello—I would answer that question, perhaps in two parts. It is correct to say that this was a lineal program, although it would be incorrect to assume that it was absolutely a straight line. In particular, as time went on—

Senator BRANDIS—For all intents and purposes, it was lineal, wasn't it?

Mr Costello—I do not think that is an absolutely correct statement. It was lineal to a point and then, as Senator Sherry pointed out, it dropped right off. So the investing program was materially curtailed towards the end of last year compared to a linear program.

Senator BRANDIS—I would hope so.

Mr Costello—But more specifically to the question about whether it is wise to invest in listed property if the US makes up approximately half of that market: our investing program, as we have indicated in our annual report and subsequently, is essentially market based. We have chosen an approach to listed property which is yield driven. So we are looking particularly at sectors which have steady reliable incomes yields as opposed to development in other components. So there was a defensive aspect to this. Then it really becomes, on a passive basis—which is the approach that we have entered these markets around the world generally—a product of the size of relative economies.

Senator BRANDIS—Sure, but 50 per cent of your investment in American property in the second half of 2007 would, I make bold to suggest, strike anyone in Australia, even an unsophisticated investor, as a pretty dumb thing to do.

Mr Costello—I think we would take exception to the—

Senator BRANDIS—I withdraw. I do not mean to be offensive. In the second half of 2007, to embark upon investment in global property and weight 50 per cent of that investment in American property is something that I dare say very few investors would think was a very good idea—and they would be right, would they not?

Mr Neal—I think it might be worth pointing out that this does not have any residential exposure. This is not an exposure to the overinflated house prices in the US; this is exposure to commercial properties, office properties and those types of things.

Senator BRANDIS—But commercial property has gone down too, hasn't it, in the United States?

Mr Neal—It has, indeed. As in any economy turning down, these prices suffer and that is, in effect, the risk we take for investing.

Senator BRANDIS—I question the wisdom—

Mr Neal—But it is fair to say that that is why we had a very small proportion of our portfolio in that—

Senator BRANDIS—It is only 1.1 per cent—I see that—but the point I am making to you is that it is still quite a lot of money. It is half a billion dollars and, according to your annual report, on 1 July last year,—less than eight months ago—you had no funds invested in that asset class. You made a decision at some point after 1 July 2007 to begin putting money into that asset class at a time when it was plain for all to see that globally, but in particular in America, there was a decline in values of that asset class. And, furthermore, you could have invested anywhere in the world but you decided to weight the investment as to 50 per cent in American property. I question the wisdom of that decision.

Senator Sherry—You have posed the question and stated it a number of times. Can the officers, please, have a chance to answer it?

Senator BRANDIS—Of course, Minister. But Mr Neal and Mr Costello have been very responsive. I have no criticism of their responsiveness at all. Could you respond to the proposition that I just put to you, Mr Neal.

Mr Neal—With every investment decision, of course, there are a number of things that we have to take into account. When building the portfolio over the last year, we have been looking to introduce risk into the portfolio. That is essentially what we have been charged to do. We have been asked to generate returns well in excess of inflation, which requires us to put risk into the portfolio. Because of the early stage of our organisation, we have been required to look at relatively easy-to-acquire risks in order to do that. What we did was think about what sort of asset classes might diversify away from a pure listed equity exposure. Listed equities is the obvious place to start for building a portfolio, especially when you do not have the ability to go and assess more complex investments.

We felt that a listed property allocation would be helpful for diversifying our exposure from traditional equities. It tends to respond in different ways to the evolution of economies and the impact on financial markets. We felt that it was probably valuable to introduce a listed property allocation to diversify that—recognising, of course, that it is still a risk and that we are taking that on.

We have been concerned that prices may have been high across most financial markets, but it is fair to say that this is certainly not a precise science. To moderate that, we have had relatively low allocations to those markets and we have been very cautious in our build-up to them. We stopped purchasing any more properties at least two months ago. I have probably got the information in here somewhere. We have not been buying any more listed property trusts for some considerable time, given the uncertainty.

Senator BRANDIS—Can you tell us the date, by the way, of the last purchase in that asset class?

Mr Neal—We have not acquired any since the beginning of November.

Senator BRANDIS—What day in November? What is the date? Let us be precise.

Mr Neal—I do not have that precise date.

Senator Sherry—We will take it on notice.

Senator BRANDIS—The beginning of November—that is fine. Can you also tell us the date on which you first began acquiring this asset class? We know it was after 30 June, but what was the date of the first acquisition?

Mr Neal—We acquired all of our exposure towards the end of October and the beginning of November.

Senator BRANDIS—Was this all done within a matter of a few days? It sounds like it.

Mr Neal—Yes, it was.

Senator BRANDIS—How many days? Was it a single transaction?

Mr Neal—I think there were probably two transactions.

Senator BRANDIS—I see. So, in late October or early November, within a few days of each other at most, what is now valued at \$552 million worth of international property investment was acquired in two transactions.

Mr Neal—That is right.

Senator BRANDIS—I assume that at the time each of these two transactions was entered into, you were fully aware that in aggregate the holdings in the two transactions were weighted 50 per cent to American property.

Mr Neal—That is right.

Senator BRANDIS—And you have told us that it is all commercial property.

Mr Neal—It is invested in listed property trusts—

Senator BRANDIS—I understand that.

Mr Neal—or REITs, which are predominantly office or the like. They are not typically residential.

Senator BRANDIS—I actually understand that too. So you are not saying that there was no residential property but you are saying that the property trust that you invested in in these two transactions substantially held commercial property.

Mr Neal—Correct.

Senator BRANDIS—Any Centro?

Mr Neal—I would have to take that on notice.

Senator BRANDIS—That is something that I dare say could be checked during the course of the morning, Mr Neal.

Senator Sherry—We are still taking it on notice.

Senator BRANDIS—By all means, Senator Sherry. If the witness cannot presently answer the question of course that is fine; but, given that it is a piece of information that one imagines could very readily be checked, I hope the witness will be taking it on notice only for as long as his officers can make the relevant inquiry and provide him with the information so that we can have this information today.

Senator Sherry—We will be taking it on notice, and with our best endeavours—I will give you my personal assurance—try to provide it today. But we will be taking it on notice.

Senator BRANDIS—Thank you.

CHAIR—I just remind the committee that we have 15 minutes until we conclude this section. I understand that Senator Watson has some questions.

Senator BRANDIS—I just want to pursue this, if I may.

Mr Costello—We do have the answer to that question now, so we can deal with it.

Senator BRANDIS—Good.

Mr Neal—It is a \$3.6 million exposure.

Senator BRANDIS—To Centro.

Mr Neal—To Centro—

Senator BRANDIS—All right.

Mr Neal—out of the \$500 million.

Senator BRANDIS—Why on earth would you decide at the end of October 2007 and the beginning of November 2007 to spend half a billion dollars, half of which was in American property?

Mr Neal—I talked about the reason for doing it being largely about diversifying the portfolio into other risks, but it was also—

Senator BRANDIS—But there was no urgency to diversify the portfolio in that way at that time, was there?

Senator Sherry—Can the witness complete an answer without continual interruption.

CHAIR—I would remind the committee, as I have during the previous two days, that, if we ask a question, it is polite to wait for the answer. But if the committee want to use up this valuable time, Senator Sherry, that is up to the opposition.

Senator BRANDIS—Sorry, Mr Neal, I did not mean to interrupt you. I thought it might shorten things if I said that you have given us a very full account of the diverse considerations that any person in your position would have regard to. But my question was a bit more particular than that: why American property at the beginning of November 2007?

Mr Neal—The American property is a part of that diverse portfolio. I think it is probably worth pointing out that at that particular time the market had already fallen in price quite significantly. It is probably important to remember that we were not buying at the very peak of that market. It had already gone down 20 or 30 per cent, probably, at that time. So at some point we have to begin entering the markets.

Senator BRANDIS—I assume that at the time you made those decisions you had analysed the portfolios of the listed property trusts in which these two investments were made and were aware that, among other things, Centro was one of the assets that at least one, if not both of them, held?

Mr Neal—No, we do not seek to understand the underlying properties within each listed property trust that we would be investing in—it is a large portfolio of investments—

Senator BRANDIS—But surely you are not telling us—

Mr Neal—in the same way that we do not seek to understand the activities of BHP in our index portfolio. We have taken the approach to date—this may change over time—to buy a very broad basket in an indexed approach so that we get exposure to the market in general. That means we have a very small amount, as in only a \$3 million exposure to Centro out of a total portfolio of over half a billion dollars.

Senator BRANDIS—But surely there is a big difference between buying a particular class of equity and investing in a property trust which is merely a vehicle for holding investments in other entities and holding investment in property owners. Surely you would seek to analyse the spread of holdings of a property trust before you decide to invest in it. Or do not you do that?

Mr Costello—We would generally, as we would with any market. The decision we need to make is about the exposure to a sector relative to others and the broad composition of those sectors in terms of different economies around the world. It is absolutely true to say that a lot of time and energy went into thinking about those baskets of exposures. But as for the individual components, as we aggregate up, the closer we get to that detail the less time we spend on that.

Senator BRANDIS—I do not want to prolong this and I know it is only one per cent of your holdings, but that one per cent is half a billion dollars of Australian taxpayers' money, and I am just astonished that at the beginning of November last year you would be spending at least half of that half a billion dollars—a quarter of a billion dollars—of Australian taxpayers' money investing in American property. In retrospect that was a mistake, was not it?

Mr Costello—I think it is very important to point out that during that period of time, with a portfolio of \$65 million, it is of course easy to identify particular aspects of that and particular sectors—

Senator BRANDIS—That is what I am doing—

Mr Costello—But we have to think about the portfolio and aggregate against a long-term target. What any investor with a long-term mandate has to do is not focus day by day, security by security and at times even subsector by subsector. We have to think about the portfolio as a whole. I think it is important to get on the record that the portfolio has increased in value over that period of time through a range of exposures. We did acknowledge that part of that is due to circumstance in terms of when we were born, but part of it is due to us making calls about the condition of various markets and limiting exposure against what might have been a more, to use your term, lineal acquisition of risk to protect the overall position of the portfolio. As at the date we have given you this information, the portfolio was up about 0.6 of a per cent and the net gains during that period in dollar terms, as you have referred to during the morning, is around \$65 million. So I would appreciate the chance to have that on record, given that we have tended to approach it sector by sector.

Senator BRANDIS—I understand all of that. I think we all understand the need to take a holistic view. I think we all need to understand the need to take a long-term view. Nevertheless, I do not think you can hide behind that because each of these investments reflects a particular decision, does it not, and that decision can be seen to have been a good decision or a bad decision?

Mr Costello—In isolation, that is correct.

Senator BRANDIS—In isolation, indeed, but these are individual decisions. Nobody is going to get it right 100 per cent of the time. I am not saying that you should be held to a perfect standard. But, nevertheless, I think the public would be astonished that something like a quarter of a billion dollars of their money was invested on the American property market at the beginning of November 2007. That was a bad decision, wasn't it?

Mr Costello—We would say that a decision to diversify away from the only other risk we held, which was listed equity, is not a bad decision. Diversification is—

Senator Sherry—In fact, the former Treasurer, Mr Costello, who appointed the guardians, who appointed the officers here—that was one of the issues that the former Treasurer himself in your government stressed.

Senator BRANDIS—I hope you are not being political, Senator Sherry.

Senator Sherry—Of course not, and I hope you are not being political either.

Senator BRANDIS—I am not. I am simply trying to do what the Senate does, and that is keep an eye on public money. Forgive me if I have already asked you this: the same exercise on a day-by-day basis in the change in values of the listed global property component of the portfolio please. That will not be very hard because there were only two acquisitions, but could I have from the time of those acquisitions through to the 31 January, please? Lastly—and this should be pretty easy, I guess—I would like the change in value of the Telstra share component of the portfolio as well between 1 July and 31 January. Can you do that for me?

Mr Costello—Yes, we can do that.

Senator WATSON—From a stewardship point of view, there could be little criticism of the management of the Future Fund to 30 June. But, in hindsight, what appears to be extraordinary, given that very good stewardship, perceiving there was going to be a reduction in certain values, you held a very large proportion in cash. Since then, obviously your timing has been wrong in terms of the divestment into a more diversified portfolio. That is the worrying thing. You did not seem to anticipate the extent of the meltdown in terms of where you moved so much cash since June or 1 July. So I say: what steps has the Future Fund taken to mitigate losses on your investments and to protect taxpayers' money? You might take this at the same time because we are running out of time: are you satisfied that the internal quality control checks of the fund are adequate, given that you have at least 15 per cent of people who are policy advisers on investment?

Mr Costello—I would like to begin the response to that. I think the statement that stewardship—these were not your words, but I think the sentiment that 'stewardship seems to have deteriorated' and we got our timing wrong is harsh. We were given a mandate and, in fact, at an earlier meeting of this committee of course the fund was criticised for not investing

quickly enough in markets. So this is always a judgement for us. We began a program in the middle of last year to move from cash to other assets. We put a great deal of thought into the condition of markets at that time. It is always a judgement as to the benefits of participating in the market and the uncertainty that that brings. We tried to be prudent through that. We ran a slow acquisition program because other investors may have chosen to invest more quickly to participate in returns that were very strong around the middle of last year—and I am sure you will recall that.

It is important to point out that this is a slow and steady acquisition of risk. Current markets holding three-quarters in cash represent a fantastic opportunity for the Future Fund to participate in these sorts of assets on materially improved terms than others. We cannot get that, as I think the previous senator said, absolutely right all the time. We think that being in a position to hold three-quarters of the public's assets in cash to take advantage of the kind of pricing that is emerging now and the sorts of opportunities that that presents is a great position for the Future Fund to be in. We know there are a large number of investors in this country and around the world that would see that as being a particularly good space to be in.

We have to acknowledge, as has been pointed out, that from time to time individual transactions and individual small decisions that aggregate to the large one can look, with the benefit of hindsight and in isolation, not particularly smart. But we remain convinced—replying to your question about the quality of our internal controls and processes—that we are looking at the portfolio as a whole. Over an appropriately long period of time, we think it is very well positioned. We think to have come through this sort of volatility and turmoil with a positive balance as an investor puts us in a relatively small group of investors globally.

While we have to accept the comments that have been made and some of the questions that have been raised, it is very important to reassure the committee and the public more broadly that the Future Fund is in a strong position. It is a buyer of opportunities. Our job is to make decisions which carry risk with them. We will continue in this forum and in other forums to be criticised from time to time for some of those decisions, but we have to accept that it goes with the territory. I would like to reassure the committee that the quality of our framework, controls and people is high. We remain confident. We need to remain confident in uncertainty. We are capable of adjusting our program—and we have—to respond to the environment. Holding three-quarters in cash at this time is a good place to be.

Senator WATSON—Given that we are running out of time, you had better take on notice the part of the question that you did not answer in terms of internal quality control checks.

Senator Sherry—We will take that on notice.

Senator WATSON—How has the current market turmoil affected the investment mandate of the fund? You would have some minutes on that, surely.

Mr Costello—I just missed the middle part.

Senator WATSON—How has the current market turmoil affected the investment mandate of the fund? This would be limited in some way.

Ms Campbell—The investment mandate was issued by the government some time ago. The rates of return sought in the investment mandate are over the long term. We consider that

the measure will be over the longer term and that the Future Fund will report their returns over what is considered to be up to a five-year period.

Senator WATSON—But within that global government direction you would have internal mandates or board mandates, which you would adjust from time to time, given the market movements and opportunities.

Senator Sherry—I would just point out that the investment mandate was issued on the direction of the former Treasurer, Mr Costello, and the former Minister for Finance, Mr Minchin.

Senator WATSON—I know that, but within—

Senator Sherry—I just want to get that on the record because there is a considerable focus here on what the rates of return in various categories are as of today, to the extent that is valid. The issue is one of long-term rates of return. I just want to stress that. If there is any critique—and I notice that Senator Brandis used the word ‘dumb’—at the end of the day, the responsibility rests with the former Treasurer and the former finance minister, who issued the directions for the mandate.

Mr Costello—I think perhaps this is where words have different meanings. ‘Mandate’ for us means the directions from government. Perhaps you are referring more to—

Senator WATSON—There are various subsets of that, which you have to accept.

Mr Costello—This is tricky because I am still not clear on the question. If your question is: how have recent events impacted our decision making or the way we are structuring the portfolio—is that the question?

Senator WATSON—That is right. Within that governmental requirement, you would set out how you attempt to achieve that, from a board perspective.

Mr Costello—I would reassure you that we are absolutely—

Senator WATSON—You do not just leave it to your investment managers.

Mr Costello—We are absolutely focused on the brief that we have been given from government, which is to generate on this portfolio a return at least five per cent above inflation over the long term. That remains our focus. Investment over a small number of days, weeks and months we have to wear along the way. That cannot and should not in any way disorient us from our long-term game. What we have tried to explain today is that in responding to that environment we are running a more conservative portfolio than may have been in our minds—than was in our minds at the beginning of the period. We are trying to balance those two things. We think, as I said before, that has put us in a strong position right now.

Senator WATSON—But I hope it is not your investment managers who are running the fund, because within that mandate the board should determine future directions and give those directions to your investment managers. Is that the way you operate?

Mr Costello—That is absolutely correct.

Senator Sherry—I would just indicate that the board was chosen by the former government and the former Treasurer, Mr Costello. Given the detail of questioning, I would

indicate—and I will discuss this with the Treasurer—that it may be useful to offer the committee, and indeed I suspect the whole of parliament for those who are interested, a detailed briefing, either in a committee process or outside, to assist members of parliament as to the investment issues that are being canvassed here this morning in as much detail and as much time as is required. So I will pass on a request to the Treasurer in order to facilitate improved understanding of issues that we have been discussing for the parliament as a whole.

CHAIR—I think it would be a good idea if you would take a briefing for the committee.

Senator WATSON—Coming back to the report, it indicates that performance bonuses were paid to employees of the Future Fund for the year ending 30 June 2007. I understand that to keep these sorts of people perhaps bonuses should be paid. But why are performance bonuses being paid when the real rate of return of the fund is nothing more than investing in the official money market cash rate?

Mr Costello—The board has been very focused on the stage of the organisation's development. Clearly, as we grow, as we have, and as the portfolio develops, performance related pay must be materially related to the performance of the portfolio. But the board has acknowledged that, in the first months of the first year of the program, they wanted to place a great deal of emphasis and encouragement on the structure of the organisation we were building, the people we were bringing to work in it and the culture and the framework we were developing. The board was very clear that those sorts of decisions made early on were critically important for the long-term success of the fund and they wanted to have a way to acknowledge to staff their view of the progress being made. So I would point out that, ultimately, as time goes on—and we are heading to this period now—the performance of the portfolio will become a very important part of any performance related payment, but there was an express decision by the board to acknowledge other aspects in the early part.

Senator WATSON—I acknowledge that was a start-up type cost, but can you assure the committee that, in future, performance bonuses will only be paid when the return of the fund outperforms the market rather than merely following it?

Mr Costello—That is an issue for the board to determine performance bonuses on a range of factors. I would not presume to give that kind of reassurance at this time to that activity.

Senator Sherry—I will take that on notice and make sure that it is passed on to Mr Murray, who is the chair of the Guardians. He was appointed by the former Treasurer, Mr Costello.

CHAIR—Can I let senators know that other questions can be placed on notice?

Senator WATSON—Do you want me to put my question on notice?

CHAIR—Yes, if you could, and we will suspend for five minutes.

Senator WATSON—Will I state the question on notice? They might like to think about it. The fund is focused on real terms. The report indicates that investment decisions assume an inflation rate of 2.5 per cent. Given that current inflation is well above this, has the fund revised its inflation assumptions so as not to overstate expected returns? You can take that on notice, but I just thought you might like to answer that.

CHAIR—Thank you very much. We will suspend for five minutes until we do the changeover.

Proceedings suspended from 10.06 am to 10.15 am

PRIME MINISTER AND CABINET PORTFOLIO

Consideration resumed from 18 February 2008

In Attendance

Senator Wong, Minister for Climate Change and Water

Department of Climate Change**Executive**

Dr Martin Parkinson, Secretary

Mr Howard Bamsey, Deputy Secretary

Mr Blair Comley, Deputy Secretary

Response to climate change**Output Group 1**

Mr Barry Sterland, First Assistant Secretary, Emissions Trading Division

Ms Jan Adams, First Assistant Secretary, International Division

Mr Robert Owen-Jones, Acting Assistant Secretary, International Division

Dr Greg Picker, Acting Assistant Secretary, International Division

Ms Shayleen Thompson, Acting First Assistant Secretary, Strategies and Coordination Division

Ms Jo Evans, Assistant Secretary, Strategies and Coordination Division

Ms Jo Mummery, Acting First Assistant Secretary, Adaptation and Land Management Division

Mr Robert Twomey, Chief Financial Officer

Office of the Renewable Energy Regulator

Mr David Rossiter, Renewable Energy Regulator

CHAIR—Good morning and welcome, Senator Wong. I would also like to acknowledge our appreciation to the department. I understand you are moving today, so we appreciate your time.

Senator Wong—Chair, if I could just apologise to the committee, I had another estimates hearing on water, which went slightly over time, so I apologise for my late arrival.

CHAIR—I should ask first whether you or the department would like to make an opening statement?

Senator Wong—I think Dr Parkinson has a short statement.

Dr Parkinson—Given that we are a new department and that many of us have not previously appeared before this committee, I thought it might be useful if we just give a short overview of the department and introduce the people who are sitting here. The Department of Climate Change is within the Prime Minister's portfolio and is responsible for the development of Australia's climate change policy. It is responsible for advising on emissions reduction policies, both domestically and internationally, and also on policies to adapt to the impact of climate change. To that end, it is responsible for developing and coordinating domestic climate change policy and the development and coordination of international

climate change policy, including international negotiations and bilateral partnerships. It is responsible for greenhouse and energy reporting, renewable energy targets, the emissions trading scheme, coordination of climate change science and coordination and strategy around adaptation.

To introduce my colleagues, I have two deputy secretaries overseeing four divisions within the department. To the left of the minister is Mr Howard Bamsey, who oversees the Adaptation and Land Management Division, today represented by Ms Jo Mummery, which is responsible for improving our adaptation response to unavoidable climate change as well as contributing to greenhouse gas emissions mitigation through land management. Mr Bamsey also oversees the department's International Division, led by Ms Jan Adams, which is responsible for Australia's multilateral position on climate change as well as the strategic partnerships that I mentioned. To my right is Mr Blair Comley, who oversees the Emissions Trading Division, led by Barry Sterland, which is responsible for the development and implementation of the emissions trading scheme. Mr Comley also oversees the Strategic Coordination Division, led by Ms Shayleen Thompson, which is responsible for management of greenhouse reporting and a coordinating policy support role. It was just useful to introduce everyone so when we hand questions to particular people you will know where they are coming from. Thank you.

Senator JOHNSTON—Dr Parkinson, how much are we paying Professor Garnaut?

Dr Parkinson—Professor Garnaut is employed as a Commonwealth public servant on a fixed-term contract. Off the top of my head I do not have the exact salary, but he is on standard rates for a Commonwealth public servant.

Senator JOHNSTON—What are standard rates?

Senator Wong—We will take on notice these precise details of the salary. I think Dr Parkinson's evidence was that he was employed at one of the rates in the APS framework.

Dr Parkinson—He is employed as an SES band 3 within the department and he is paid on the SES band 3 pay scale.

Senator JOHNSTON—There we go. I think we have got some information.

Senator Wong—Was that a question, Senator?

Senator JOHNSTON—You were not ready for a question about how much we are paying Mr Garnaut today? I am interested in you taking that on notice. You were not prepared to anticipate that the committee might ask that question?

Dr Parkinson—I would have thought the committee would be interested in questions related to the portfolio.

Senator JOHNSTON—I am interested in Professor Garnaut. He is one of the most interesting people that we have in the national media at the moment. I am interested to know how much we are paying him because he is very important. Can you help me with how much we are paying him?

Dr Parkinson—Yes, I can.

CHAIR—There is no need to be rude about it.

Senator JOHNSTON—I am not being rude.

CHAIR—You are being rude.

Senator JOHNSTON—I am not. I am being told to put things on notice, and now you are going to give me the answer.

Senator Wong—I am sorry, I was not aware of to what extent we had that detailed information present. I have to say also, Senator, it is reasonably unusual to discuss in detail individual employees' remuneration. You would be aware that we generally avoid that in estimates hearings. If you are pressing that, I think Dr Parkinson has indicated the level at which Professor Garnaut is engaged. That information therefore is public in terms of the pay scales.

CHAIR—I would just like to remind the committee that we have already established that in the first two days of hearings in relation to identifying individuals and particularly in terms of their remuneration.

Senator JOHNSTON—I am pressing it and I would like the information.

Dr Parkinson—Professor Garnaut is employed as a non-ongoing APS employee under section 22 of the Public Service Act. He is paid an annual salary of \$112,600 plus a vehicle allowance.

Senator JOHNSTON—Does he have any other assistance paid for by the Commonwealth?

Dr Parkinson—The Commonwealth is making a contribution to the Garnaut review. We have a number of staff on the secretariat.

Senator JOHNSTON—How many staff?

Dr Parkinson—There are four staff on the secretariat. We are in the process of considering whether or not to find a fifth staff member.

Senator JOHNSTON—So there are Professor Garnaut and five staff members. How long were they retained for?

Dr Parkinson—Professor Garnaut is employed until 30 September 2008. The other staff members that are permanent members of the Commonwealth are full-time employees. The head of the secretariat is on secondment from the Victorian Department of Premier and Cabinet and he is also on secondment to us until 30 September 2008.

Senator JOHNSTON—Is there a specific contract for Professor Garnaut?

Dr Parkinson—I said he was employed under section 22 of the Public Service Act, so there is a contract.

Senator JOHNSTON—Are you able to table the contract?

Senator Wong—You have been given information about the details of that. I think Dr Parkinson gave you the dates too. Are you really seeking an individual employment contract to be tabled for a particular person? Is that really appropriate?

Senator JOHNSTON—I am seeking an individual contract. This man is bringing down information that is probably the most important this economy has had to review in the last 10 years. I would like to see his contract.

Senator Wong—The accountability of Professor Garnaut's work is through his work, and that is there for all and sundry to see. It is in the public realm. Clearly, I agree with you Senator, these items of information under consideration in relation to Professor Garnaut are extremely important and should be subject to full public scrutiny, public consideration and public debate. But I think it is a fairly long bow to draw to say therefore that his private contractual details should be tabled. I would ask you to consider whether you really want to press that given that we have been completely up-front about the dates of the engagement and the level of remuneration.

Senator JOHNSTON—I would like to press it. I would like to see the contract, please.

Senator FORSHAW—I think it is totally inappropriate that that question be asked. Quite obviously, one would assume that the employment contract would contain personal information. It might contain information regarding bank account and other details that are normally required of employees, whether they are staff of MPs, public servants, MOP staff or whatever. In all my years on this committee and other committees I cannot recall such a request ever being made. You are entitled to ask about the broad parameters or the bands within the Public Service structure which are public information, but I do not think this question should be allowed to be pressed.

CHAIR—Senator Joyce, on a point of order.

Senator JOYCE—Madam Chair, anything pertaining to the financial expenditure of the Commonwealth has to be delivered if asked for at Senate estimates.

Senator FORSHAW—That is not true.

Senator JOYCE—I think you will find it is. That is the whole point.

Senator FORSHAW—All right. So are you going to hand over your staff's employment contracts to this committee, Senator Joyce? Is that what you are going to do?

Senator JOYCE—Now you are misquoting me, Senator Forshaw—

Senator FORSHAW—No, I am not.

Senator JOYCE—and you know you are.

Senator FORSHAW—I am not.

Senator JOYCE—I said that anything pertaining to the financial expenditure of the Commonwealth—

Senator FORSHAW—Yes. Where do you think the salaries of your staff come from?

Senator JOYCE—that does not necessarily include any personal details is deemed to be public knowledge, especially at Senate estimates.

Senator FORSHAW—We should not be having this cross-debate, but Senator Johnston has asked for a copy of the contract of employment. That is what he has asked for—nothing short of that. That is what he has asked for.

Senator JOYCE—I am just clarifying that you are completely within your rights, Senator Johnston, to ask for anything pertaining to expenditure of the Commonwealth, especially at Senate estimates. In fact, a statement to that effect is a precursor to many of these proceedings.

CHAIR—Because you now want to set a new precedent and I have some concerns about that, I am going to seek advice from the Clerk of the Senate, so I suggest we move on and we will come back with his advice.

Senator JOHNSTON—I would like the contract. I am happy for personal details such as bank accounts and addresses to be deleted, but I would like the contract.

Senator Wong—Okay. Given the concession from Senator Johnston, I am happy to take it on notice. Obviously, we would need to consult with Professor Garnaut because it is a contract with him. With the provisos that Senator Johnston has put in place, I will take the question on notice and ask Dr Parkinson to consult with Professor Garnaut on those matters.

CHAIR—Thank you, Senator Wong.

Senator JOHNSTON—Minister, I believe that in Bali we were not going to commit—and indeed the Deputy Prime Minister has said we are not going to commit—to any targets or time frames ‘until we receive Professor Garnaut’s advice’.

Senator Wong—What I said in Bali and what I have said consistently since then is this: we have an election commitment to a 60 per cent reduction by 2050, and that is a position we determined based on our consideration of the science, including the IPCC report and other matters. In relation to what is commonly known as a mid-term target—and you are correct, Senator Johnston; that was an issue of significant discussion in Bali, both in the context of negotiations and in terms of public debate—I have stated and the government’s position is that we will set a mid-term target. We will do so after we have received the final Garnaut report and the Treasury modelling which we have indicated we will undertake, and considered other matters associated with the emissions trading scheme and climate change policy. So we will take a considered approach to this. We think a mid-term target is important because it does send a signal to business and the community about where we want to get to in terms of reductions in greenhouse gas emissions, but we will do so methodically and after consideration of the evidence.

Senator JOHNSTON—You have said Garnaut, you have said economic modelling. What else are you going to take note of specifically?

Senator Wong—The two primary inputs would be the Garnaut report and the Treasury modelling, which I have outlined. I think, in the context of our discussions with the community and industry on the ETS design and various other discussions with stakeholders, there may well be other things the government will consider.

Senator JOHNSTON—What other things?

Senator Wong—Obviously—and I think I have previously indicated this, in a speech I gave a couple of weeks ago—in the context of the emissions trading scheme, which is really related to the mid-term target as well, we will take into account the work done by the states in

terms of the NETS and the work done by the previous government in the task group on emissions trading.

Senator JOHNSTON—Very good.

Senator Wong—The importance of that, Senator Johnston, is that I wanted to make it clear to those who consulted with those bodies—the states and the previous government—that their consultation would still be taken into account and that the input is there.

Senator JOHNSTON—Have we done any economic modelling to this point?

Dr Parkinson—The economic modelling is underway. Perhaps I might be just a little clearer. There was economic modelling undertaken for the task group on emissions trading for the report that came out last year. There was modelling undertaken by the states and territories as part of the NETS process, but the Treasury modelling is a work in progress.

Senator JOHNSTON—Are we in a position to have a briefing on the Treasury modelling at this stage?

Senator Wong—I do not think we would be in a position to have a briefing on that. If you are interested in a briefing at any stage, Senator Johnston, please contact my office and we will certainly consider the request. But, as Dr Parkinson said, that modelling is still a work in progress and the government has not received, as you know, the final Garnaut report either.

Senator JOHNSTON—When will the Treasury modelling be completed?

Dr Parkinson—The Treasury modelling was commissioned by the former Prime Minister to report in midyear. The new government has agreed, given the complexity of the issues in front of the Treasury modelling team, that is an appropriate timetable.

Senator JOHNSTON—On 1 July?

Senator Wong—In the middle of the year, Senator.

Senator JOHNSTON—I would have thought the middle of the year is around about 1 July.

Senator Wong—Do you want me to pick a date?

Senator JOHNSTON—No. I would like a briefing to July, please. I do not think that is too much to ask.

Senator Wong—You are very punchy this morning, Senator Johnston.

Senator JOHNSTON—No, I am not; I am just asking questions.

Senator Wong—I am sorry. I know that it is hard being on that side of the table this time but—

Senator JOHNSTON—Can we have a briefing immediately after it?

Senator Wong—I have not finished my response, Senator.

CHAIR—Senator Wong can have the opportunity to complete her response.

Senator Wong—I have said that, if you want to contact my office, when we are able to provide a briefing we will do so. As yet, clearly, it is a work in progress and the government has indicated around the middle of the year that modelling is likely to be completed.

Obviously, that is a matter for government to consider and we will consider briefing the opposition at the appropriate time—and we look forward to your bipartisan support, which appears to be offered by Mr Hunt on our climate change initiatives.

Senator JOHNSTON—So the government will provide a briefing on the economic modelling to the opposition as soon as it is available?

Senator Wong—No, that is not what I said; I said we would consider that.

Senator JOHNSTON—So you will not provide a briefing to the opposition.

Senator Wong—No, I said we would consider it, Senator.

Senator JOHNSTON—You would consider it.

Senator Wong—Yes.

Senator JOHNSTON—Okay. Very good. Can you, Minister, assist me with respect to what Mr Boshier, the National Generators Forum Executive Director, has said in today's *Financial Review* that the Garnaut report has:

... raised real concerns in its failure to understand how the electricity system works and the need for a reliable electricity supply.

He went on to say that:

... the penalty on carbon would force the closure of coal-fired power stations, which underpin Australia's base-load energy.

Can you give us a guarantee that your policy when implemented will not do that?

Senator Wong—I will respond sequentially to the issues you raise. The first is that the government is conscious, in the progressing of our emissions trading scheme, of the impact on a number of sectors. The first is the household sector, and we have indicated our views about that. We are also conscious of the impact on strongly affected industries and, of course, on the trade exposed emissions-intensive sectors. We have made clear that the consideration of the design of the ETS will address the impact on strongly affected industries, which would include those such as the ones you identify. In terms of costs, I think the Garnaut report, the Stern report and a lot of the discussion around this issue make it very clear that the costs to this nation of failing to act are far greater than the costs of acting responsibly now. That is very clearly the economic evidence that the government and the community have been presented with, and I welcome Mr Hunt's announcement yesterday when he announced that he supported the government on these issues. He acknowledged there would be higher costs. So there appears to be bipartisan recognition that there is a cost impact on tackling climate change. I hope there is a bipartisan recognition that the costs are ultimately far greater for the community and the economy if we do nothing than if we act responsibly now.

Senator JOHNSTON—Very good. I know that you are taking into account the previous work done by the former government with respect to a number of these matters. The previous task group proposed capping the price of permits to protect businesses from price spikes. Mr Garnaut has said that he has not made up his mind, but he has warned that a cap would preclude Australia from linking its trading scheme with other countries. Has the government got a position on that at this stage?

Senator Wong—I have indicated in the speech that I referred you to that we do want the scheme to be capable of international linkages, but in considering that we will be mindful of the impact on Australian industry and the Australian economy. Dr Parkinson may have something to add to that issue.

Senator JOHNSTON—I just want to know whether we are going to have caps or not.

Senator Wong—I have not indicated the details of scheme designs yet because it is appropriate that the government proceed methodically and responsibly in the design of the scheme. As you would know, decisions about assisting one sector or about how also to deal with other sectors are complex and involved. We are conscious of the impact on households, particularly low-income households, as well as the impact on the trade exposed emissions intensive sector and other strongly affected industries. But I would ask Dr Parkinson because he may be able to assist you with the international linkages issue.

Dr Parkinson—Just to clarify, as the head of the secretariat responsible for the task group on emissions trading, the task group only considered the option of safety valves in the early years of the scheme. It was not intended as a permanent price cap.

Senator JOHNSTON—With respect to generating companies, the former task group identified the fact that there would be a requirement for compensation. Mr Garnaut apparently disagrees with that. Does the government have a position on that?

Senator Wong—This is the strongly affected industries issue that I raised and to which I have previously alluded. We have not made a decision about the details of such matters. They will be one of the issues we consider when we finalise our design of the ETS.

Senator JOHNSTON—I take it that with respect to the direct funding of geosequestration from geothermal and other coal fired power stations that there is a similar answer.

Senator Wong—The government has a commitment to, I think, a \$500 million clean coal strategy. That resides in Minister Ferguson's portfolio.

Senator JOHNSTON—When will the government be in a position to disclose these important policy decisions?

Senator Wong—Which aspects?

Senator JOHNSTON—The three that I have raised.

Senator Wong—With clean coal, those issues should be addressed—

Senator JOHNSTON—No, the issues are caps, compensation and costs for infrastructure with respect to geosequestration.

Senator Wong—We have a commitment to finalise scheme designs by the end of this year. The decisions in relation to the matters to which you are referring are aspects of that scheme design, so that gives you an indication of the timeline.

Senator JOHNSTON—This year. Okay. With respect to international treaties, conventions and other undertakings that we might make, if China and India do not sign up to reasonable and equitable emissions controls, will you enforce penalties on emitters in Australia?

Senator Wong—There are a lot of hypotheticals in that question.

Senator JOHNSTON—Sure. I think the public would like to know what your view is.

Senator Wong—Can I say, firstly, I think we have made clear from our actions when we first came to government that we regard the international negotiations as a key part of Australia response to climate change, which is why, unlike your government, we ratified Kyoto—in fact it was the first act of the Rudd Labor government—and participated constructively in the Bali negotiations. I have also attended the major economies meeting in Honolulu, which involved China and India, as well as the United States, the EU, Russia et cetera.

You are correct in identifying this policy issue—that we need a global response to climate change. The government have been clear that we recognise that an effective global response requires all nations of the globe to be part of the solution. Nevertheless, the framework convention within which we are negotiating articulates a principle of common but differentiated responsibility, which in essence means that there is likely to be—and this is the Kyoto protocol architecture—a difference in the nature of the commitments from developed countries and developing countries. A significant step forward in terms of the Bali negotiations was that, for the first time, developing countries signed up to measurable, reportable and verifiable action. That was a significant step forward. Obviously, we do want to ensure that China and India are part of an effective global response. I have had a number of bilateral meetings with both of those nations in different contexts, and we will continue to engage very closely with them. The detail of the questions you asked really goes to an assumption about what the final framework is in terms of the international agreement. As that is not yet in place and our current timetable has that at the conclusion of 2009, that is not a question that I can give you a detailed answer to.

Senator JOHNSTON—Can we go to Bali.

Senator Wong—Yes. Well, we could all go to Bali, but I do not think that the chair would allow it!

Senator JOHNSTON—Well, many of us did go to Bali, but not me.

Senator Wong— I guess that is one of the costs of not being in government.

Senator JOHNSTON—What was the total cost of the Australian government representation in Bali?

Dr Parkinson—Senator, individual agencies are responsible for managing the costs of their own officers. I can tell you about the costs for the Department of Climate Change but I cannot go beyond that.

Senator JOHNSTON—The Australian government sent a very large contingent, did it not?

Dr Parkinson—It sent an official delegation of 92, which included a range of state government members and officials, representatives of industry and non-government bodies, and the shadow minister for climate change and the environment.

Senator JOHNSTON—Do you have information about all of the people who attended who were funded by the Australian government?

Dr Parkinson— I have information on the people who attended from the Department of Climate Change.

Senator JOHNSTON—Right. The reason I ask that is that a large contingent like that going to Bali for—what, two weeks?

Dr Parkinson—People went for a range of different periods.

Senator Wong—For example, I think the Treasurer attended the finance ministers' meeting, which was for a couple of days prior to the ministerial dialogue. There was also a trade ministers' dialogue, and Ms Adams and Mr Bamsey, obviously at an official level, were there prior to ministerial presence—and their staff.

Senator JOHNSTON—The department did not keep records of the government attendees, those people who were funded by the Australian taxpayer to go to Bali for this conference?

Dr Parkinson—I did not say that, Senator. I said that the department—

Senator JOHNSTON—You did?

Dr Parkinson—I am sorry?

Senator JOHNSTON—You did keep records of who went?

Dr Parkinson—I said that the department has records of the Department of Climate Change officials. It is up to individual departments to keep their own records.

Senator JOHNSTON—Mr Parkinson, we are asking business, by 2010, I take it, to account for its carbon footprint in this country. The government has not commenced doing that, I believe.

Dr Parkinson—Sorry, I do not understand the question.

Senator JOHNSTON—When we undertake any major exercise today, the government is not conscious of the carbon footprint of that endeavour.

Dr Parkinson—As a matter of course, it is not calculated, no; you are correct.

Senator JOHNSTON—So is the government going to start calculating its carbon footprint in various things?

Dr Parkinson—That is a policy question that should not be directed at me as an official.

Senator JOHNSTON—Minister, is the government going to start doing what it is going to ask business to do—that is, audit its carbon footprint?

Senator Wong—The way we are seeking to approach this is across government. We made some election commitments prior to the election in relation to government action. As a government we do recognise that we are asking business and the community to take responsibility when it comes to climate change, and the government should lead by example. The election commitments cover a range of portfolios: energy efficiency of buildings, procurement, air travel et cetera. Sorry, I do not think that was an election issue; it is one of the issues to be addressed. We are currently doing work within government to consider how we have a comprehensive and coherent approach across government to all of these issues, and those matters will be progressed.

Senator JOHNSTON—So we took a whole lot of people to Bali—we took 92. Does that include ministers and their staff?

Dr Parkinson—That includes all members of the official delegations: the Prime Minister; ministers; their staff; the Victoria premier; other Victorian members of parliament; state, territory and Commonwealth officials; 20 representatives of industry and non-government organisations; and the federal shadow minister, as I mentioned.

Senator JOHNSTON—And that totals 92?

Dr Parkinson—So I have said, Senator.

Senator JOHNSTON—What was the cost of their attendance?

Senator Wong—Dr Parkinson has indicated that he can assist you only in relation to those matters within this portfolio.

Senator JOHNSTON—So we have to go to each individual department. Notwithstanding that this department is under the umbrella of the Department of the Prime Minister and Cabinet you cannot tell me the total cost of the whole of the endeavour.

Dr Parkinson—I have no idea what any individual expense was outside of those that I am directly responsible for. I am the secretary of the Department of Climate Change. I am not responsible for what the shadow minister may have spent; I am not responsible for what the Victorian premier may have spent, so I cannot give you that answer.

Senator JOHNSTON—Who can tell me what the Australian government spent to go to Bali?

Dr Parkinson—It is the responsibility of individual departments to account for what they spend in conducting their own activities.

Senator JOHNSTON—So we need to go to each of those departments and ask them that question.

Dr Parkinson—That is correct.

Senator JOHNSTON—All right. How much did your department spend?

Dr Parkinson—We spent \$187,629.

Senator JOHNSTON—And what did that comprise? What were the expenditure elements of that?

Dr Parkinson—It comprised airfares, accommodation, allowances and incidentals. That was our direct cost. In addition, there were shared office facilities and transportation, and we paid a component of that.

Senator JOHNSTON—Which was?

Dr Parkinson—We paid \$39,231 of that.

Senator JOHNSTON—So over \$200,000.

Dr Parkinson—\$226,860.

Senator JOHNSTON—For how many people?

Dr Parkinson—There were 20.

Senator FORSHAW—I have a question on this issue as well.

Senator JOHNSTON—I will be two minutes.

Dr Parkinson—Perhaps there might be a piece of information I could provide you which would help on this issue. The Department of Climate Change was created on 3 December. We had people from the previous Department of Environment and Water Resources, the Department of Foreign Affairs and Trade and the Department of the Prime Minister and Cabinet, all of whom are now actually in the Department of Climate Change. So in a sense you had representatives from three departments who are now all in the one department.

Senator IAN MACDONALD—But your figures—

Dr Parkinson—They cover all of the people for whom I am now responsible.

Senator Wong—So the ones that came to us.

Senator IAN MACDONALD—Even though at the time they were in another department.

Dr Parkinson—At the time, they were. At that time, the time of Bali—and I could have answered the question this way but I did not think it was the question that you were really asking—I could have told you how much it cost for my travel, because I was the only member of the Department of Climate Change.

Senator Wong—At that stage. It was very early on, Senator, as you will recall.

Senator IAN MACDONALD—Your travel might be indicative, Dr Parkinson, so perhaps you could give us that on notice.

Dr Parkinson—I can give you that on notice. It is no problem at all.

Senator JOHNSTON—What were the other departments that attended?

Ms Adams—I will give you all of the departments, including those who are now the Department of Climate Change: Department of Climate Change; Department of Foreign Affairs and Trade; Department of Environment, Water, Heritage and the Arts; Department of the Prime Minister and Cabinet; Department of Industry, Tourism and Resources, as they were at the time; Department of Agriculture, Fisheries and Forestry; Bureau of Meteorology; and the Great Barrier Reef Marine Park Authority. Sorry, I missed AusAID, which is in the DFAT portfolio.

Senator Wong—I would like to add to Ms Adams's response. There is a lot of official level working group activity which occurs in the context of these international negotiations, and quite detailed expertise is required at the working group level. If you look at the agreements out of Bali, there are some reasonably substantive paragraphs which go to quite technical issues. Having officials from a range of departments is important. Because you made a comment about the number of people, I recall Mr Hunt being quite critical of the Australian government sending only me to the major economies' meeting and saying we should have sent more people. I am not clear whether the opposition's position is we should send more ministers to international negotiations, or fewer.

Senator JOHNSTON—Are you asking me the questions?

Senator Wong—I am making a point.

Senator JOHNSTON—It's pretty hard to change old habits, I suppose, isn't it? All I want to know is the cost. I think all we are entitled to is the cost. That is the only issue I am interested in.

Senator Wong—We have given that to you.

Senator JOHNSTON—I am sure that it was very successful. I read all the press releases, all of the garden party reports and all of that sort of stuff. All I am interested in—

Senator Wong—The garden party reports?

Senator JOHNSTON—The receptions.

Senator Wong—Was there a reception?

Senator JOHNSTON—All I am interested in are the costs. I have all the answers that I need.

Senator FORSHAW—I understand there was a pre-Bali meeting. Can you tell me when that was?

Senator Wong—I might refer that to an officer who can give you more details.

Mr Bamsey—There was a meeting convened in Bogor by the Indonesian minister for the environment, who was subsequently the president of the COP.

Senator FORSHAW—It was in Bogor.

Mr Bamsey—The precise dates elude me, but it was a few weeks—a month or six weeks—before the Bali conference.

Senator FORSHAW—My recollection is that it was prior to the election.

Mr Bamsey—Indeed. It was during the campaign.

Senator FORSHAW—I am aware—but you might confirm it—that officials, including Australia's Ambassador to the UN, Ambassador Hill, attended that meeting.

Mr Bamsey—That is correct.

Senator FORSHAW—Do you have any idea of how many in total attended, across the departments?

Mr Bamsey—Given that this was not the conference, but a pre-meeting—

Ms Adams—It was you and me and—

Mr Bamsey—We will take that on notice, if we may.

Senator FORSHAW—There was a meeting held.

Mr Bamsey—Not a large number.

Senator FORSHAW—It was prior to the election, and I understand that Ambassador Hill would have attended. I have no criticism because Minister Downer was otherwise busy.

Mr Bamsey—I think it is best if we take it on notice. It will be most accurate.

Senator FORSHAW—You may like to give us a cost, too—in total. I know there is a difficulty with the different departmental structure. I will not worry about it. I will pursue it somewhere else.

Senator IAN MACDONALD—I would first like to follow up on a couple of Senator Johnston's comments. I understand that the report that Professor Garnaut has just tabled was commissioned by the states as well. Are the states contributing to his costs?

Dr Parkinson—Yes, they are. These are ballpark figures. They have contributed around \$1.6 million, and they have also contributed in kind support.

Senator IAN MACDONALD—How does that fit in with what Mr Garnaut is being paid? Was he paid only as a Commonwealth officer? Did he receive any payment personally from the states?

Dr Parkinson—Before he joined the Department of Climate Change in the sense of the Commonwealth participating in the review, he was paid for by the states. In fact, I think he was paid for by the Australian National University and the university was reimbursed by the states, but I do not have any direct knowledge of that.

Senator IAN MACDONALD—When does the amount of—what was it, \$105,000?

Dr Parkinson—\$112,000.

Senator IAN MACDONALD—When did that actually start?

Dr Parkinson—Its date of effect is the beginning of January. I cannot remember whether it was the first or the second.

Senator IAN MACDONALD—The beginning of January this year?

Dr Parkinson—It was the beginning of January this year.

Senator IAN MACDONALD—Up until that time—

Dr Parkinson—He was paid for by the states.

Senator IAN MACDONALD—And they contributed, I think you said \$1.6 million towards these—

Dr Parkinson—They have contributed a total amount of around \$1.6 million.

Senator IAN MACDONALD—I appreciate that you may or may not have details of that; it is not your area. Can I assume that all of the work that Professor Garnaut did, the consultants he might have engaged, the travel he might have done and anything else he had to pay for to prepare this report was paid for by the states and territories?

Dr Parkinson—Absolutely. It was part of the agreement that there would be separation of any moneys provided by the Commonwealth as against the moneys provided by the states on the grounds that the Commonwealth moneys had to be subject to Commonwealth procurement guidelines and all other Commonwealth accountabilities. We could not take responsibility for what had been done beforehand.

Senator IAN MACDONALD—You have effectively got the report for free. You are now employing Professor Garnaut to do work subsequent to that time. Are the states still footing part of his expenses now?

Dr Parkinson—The way the states have operated is that they have all contributed on a standardised formula. As I said, that is around \$1.6 million. That fund is available for Professor Garnaut to draw on. It has actually been used for the employment of consultancies, staff costs, travel and the like up until the end of the year. The Commonwealth contribution will pick up Professor Garnaut's salary, the salaries of the other officers I mentioned and some additional consulting work and travel. But the two things will be kept separate.

Senator IAN MACDONALD—So the states will not further contribute to any work he does?

Dr Parkinson—Unless the Commonwealth ends up having to contribute more than the states have done. There is not a formal cost-sharing agreement between the states and the Commonwealth on this, but a typical COAG cost-sharing agreement would be around fifty-fifty.

Senator IAN MACDONALD—I note in this morning's news that the Premier of Tasmania is going to engage Professor Garnaut to do some work in relation to forestry.

Dr Parkinson—That would be separate from the \$1.6 million that the states have contributed. That would be a separate exercise.

Senator IAN MACDONALD—And separate to what the Commonwealth pays?

Dr Parkinson—And separate to whatever the Commonwealth pays.

Senator IAN MACDONALD—I appreciate we are going to get details of his employment contract, but what does the contract say in relation to what—I will put it broadly—hours of work Professor Garnaut has to do to earn his \$105,000? What does the contract say?

Dr Parkinson—Professor Garnaut is 50 per cent employed.

Senator IAN MACDONALD—So he is 50 per cent employed for \$105,000?

Dr Parkinson—\$112,600.

Senator IAN MACDONALD—He does much better than a backbencher and I hope he is showing fiscal restraint in not accepting any increases like we backbenchers do.

Dr Parkinson—Sorry, I got that wrong. He is actually employed full-time through to 30 September 2008.

Senator IAN MACDONALD—That obviously means he is go to do the Tasmanian work after 30 September 2008.

Dr Parkinson—I was not aware until I saw the press reports this morning that he had been asked to do something. I have no information as to how and when he does that work.

Senator IAN MACDONALD—Perhaps he will do it on weekends or late at night. I am curious, does the 50 per cent relate to anything?

Dr Parkinson—Sorry, I misled you. The 50 per cent came about because Professor Garnaut was a Professor of Economics at the Australian National University up until 30 December, when he retired. It was during that period that he was devoting half his time to it. His contract with us is 100 per cent.

Senator IAN MACDONALD—So you are saying the 50 per cent was when he was being paid by the states and territories—50 per cent of his time was being paid for by the ANU and 50 per cent was being paid for by the states and territories.

Dr Parkinson—As I understand it—again, that is only as I understand it.

Senator IAN MACDONALD—I appreciate that this is not your area, but would it be possible for you to find out just how the \$1.6 million was used by Professor Garnaut and to let the committee have that detail?

Dr Parkinson—I think it would be inappropriate of me to attempt to ascertain that information from the states. I can indicate that you have expressed an interest, but I cannot take responsibility for giving you that information.

Senator IAN MACDONALD—I would have thought you might be able to get it for us and help the committee. I assume Professor Garnaut will be at estimates committees in May as a full-time employee of the government. If that was not intended, could you now take it on notice that we would like Professor Garnaut to appear before the May estimates committee.

Dr Parkinson—I am happy to take it on notice.

Senator IAN MACDONALD—Thanks very much for that. Moving on, I see Mr Garrett in today's paper—I am paraphrasing his words, and if I can get my computer to work I will give you them exactly, according to press reports—has indicated that climate change should be part of every decision he makes in relation to the EPBC Act. I do not want to ask about the EPBC Act because that is, as I understand it, not this portfolio, but certainly climate change is. Perhaps I could ask you, Minister, whether your department will be working towards an amendment to the EPBC Act to include climate change as a matter of environmental significance?

Senator Wong—I think you were at the estimates where either Senator Milne or Senator Brown raised the issue of the election commitment to a greenhouse trigger for the EPBC Act. That act is administered within Minister Garrett's portfolio, not within this portfolio. Really those questions ought be addressed to that portfolio.

Senator IAN MACDONALD—I acknowledged all that in my question. My question really was to this department: is it doing work on the climate change aspect of possible amendments by the environment department to the EPBC Act? I appreciate it will come forward through the environment department, but I would expect yours would be involved. Hence my question: just what is your department doing in relation to including that?

Mr Comley—The answer to that is: yes, we are considering the issue in consultation with our colleagues in DEWHA.

Senator IAN MACDONALD—You are considering it.

Mr Comley—Yes.

Senator IAN MACDONALD—Do you have some indication of when that change to the EPBC Act might occur?

Mr Comley—I am not saying we are saying there should be a change. I am saying we are considering the matter which ultimately will be a matter for government as a policy decision.

Senator IAN MACDONALD—I do not want to put you in a difficult position, so indicate to me when you cannot answer these things. I am very, very interested in the Traveston Crossing Dam in Queensland, which from the Senate committee's inquiry will have a very significant impact on climate change. That proposal is now in limbo, one might say, because it simply awaits the environment minister's approval under the EPBC Act. I am interested in whether the climate change department will have an input into those decisions because of the significant impact that dam proposal—that 'damn dam' proposal—will have on climate change.

Senator Wong—You would be aware that we did traverse these issues in some detail in the DEWHA estimates hearings. Minister Garrett, pursuant to the EPBC Act, has statutory responsibility to determine these matters. The bases on which he makes those decisions are set out in the act, and really those issues are matters for him in the context of his statutory discretion.

Senator IAN MACDONALD—I am very conscious of all that, Minister, but your department and you are now vitally concerned with climate change. That dam will have a significant impact on climate change and greenhouse gas emissions. I was really just asking what your involvement is. If the answer is, 'None to date', then I raise it simply to urge you to become involved, because it will be a significant matter in climate change.

Senator Wong—I will refer to departmental officials to see if there has been any input, but to be frank those are matters which, I would assume, would be considered in the context of the EPBC Act consideration. My recollection from the previous hearing—and I will ensure that further information is provided if I am incorrect—is that those were issues that were to be considered in the context of the various environmental impact considerations that the proponents were undertaking.

Senator IAN MACDONALD—We are all feeling our way, but, because climate change is so important and that dam is so important in relation to climate change, what I am simply flagging—if the answer is that you have not done anything yet—is that you should do something. I am alerting you to that by way of a question if the answer to date is, 'No, we haven't done anything.'

Dr Parkinson—The answer to date is that we have not done anything, but I hear you very clearly.

Senator IAN MACDONALD—My final series of questions relate to something I started in the environment portfolio. Do you have with you now, having been alerted a couple of days ago, information on where Australia stands in the list of greenhouse gas emitters?

Senator Wong—I am hopeful that one of my officials was aware that I had actually indicated that. It had slipped my mind to follow that up with the department. Ms Thompson might have some information.

Ms Thompson—Could I just consult with colleagues a bit.

Senator IAN MACDONALD—Yes, please do consult. The sort of information I am looking for is where Australia stands in the pecking order, how much greenhouse gas

emissions there are in the world—on the globe—and what Australia's contribution to greenhouse gas emissions is. It looks like you might have that now—have you?

Senator Wong—We have some information, yes. I have a table, actually, in the office, and I should have brought that up. We will try, while the hearing is still being undertaken, to get that. I am saying that in the hope that someone behind me is going to start acting. Yes, it looks like action is being taken.

Dr Parkinson—The material is publicly available. If I had known that you want it I could have brought it with me. I can tell you that Australia's contribution or share of global emissions is about 1.4 or 1.5 per cent of total global emissions. We are the 14th or 15th largest emitter in absolute terms, but we are one of the top five emitters on a per capita basis.

Senator Wong—Which is the issue that we raised in the hearing.

Senator IAN MACDONALD—Could I get those figures on notice, if they do not come in, in tonnes of carbon emissions for the globe and for Australia? You say it is publicly available and I am sure it is, but you have access to these figures, as you are better at the computer than I am.

Dr Parkinson—We can get it very quickly for you.

Senator IAN MACDONALD—Can I also get what, in tonnes, the United States, China, India, Europe and different developing countries emit?

Dr Parkinson—If it would help, we could give you a table which covers maybe the top 20 and provides all of that information.

Senator IAN MACDONALD—That would be very useful. Do you also have statistics or details of what deforestation, worldwide, contributes to greenhouse gas emissions?

Dr Parkinson—It is around—

Senator Wong—Deforestation, forest degradation broadly, I understand is approximated at around 20 per cent. I am sure that one of the officials at the table could give more information.

Dr Parkinson—That is correct.

Senator IAN MACDONALD—Do you have information—or, if not, could you find it—on what Australia's forestry industry or land use will contribute to greenhouse gas emissions in this current year? I am trying to compare Australia to others.

Dr Parkinson—We cannot provide it for the current year but we can provide it for up to 2005 and, in coming months, for 2006, I expect.

Senator IAN MACDONALD—With forestry, I am interested in that information. With land use, unless it is post the Queensland land-clearing decision, it is not going to be very meaningful. If the land clearing is pre the Queensland decision, do not waste your time giving that to me because it will not mean anything, but if it is post that I would appreciate it.

Senator Wong—Sorry, Senator, can you clarify that? I am not clear on what you mean.

Senator IAN MACDONALD—I have asked for two sets of figures for Australia, the first one forestry related and the second one related to land clearing and what impact that has—if

the figures are available. Do not give me the figures prior to the Queensland decision which, from memory, I think would have been about early 2005, wasn't it?

Senator Wong—My recollection is about the same as yours, Senator.

Senator IAN MACDONALD—I am saying that if your figures are only up to that point do not bother giving them to me because they will not be relevant. I am interested in what Australia, since that decision, is contributing in greenhouse gas emissions because of land clearing.

Dr Parkinson—There are two sets of data: there are the actuals, which we can give you up to 2005, and there will be the 2006 projections for land-clearing impacts.

Senator IAN MACDONALD—Taking into account the Queensland decision?

Dr Parkinson—Yes. They were projections done a year ago. We cannot give you the actual numbers at this point.

Senator IAN MACDONALD—Give that to me and I will have a look at it. I have a final question, Madam Chair, but I might come back later, subject to others. Whilst I acknowledge, and have always acknowledged and been proud of, what the former government did in trying to get the big emitters to the table, could I have a comment or an indication, from Australia's point of view—if we are looking at the change of the climate in the world, which of course we have to because it is a globe—on whether it matters to the change of the climate what Australia does? You have indicated Australia is responsible for 1.4 per cent of greenhouse gas emissions. I appreciate—so there is no need to give me a lecture on this—that we have to use leadership, which we did with the past government and which I am sure we will do with this government. We did very well in Bali—at least according to the Australian media; it was not really picked up by the rest of the world media—and showed leadership, which is great. But in actually changing the climate of the globe, what impact does what we do in Australia have on climate change for the world?

Senator Wong—I will speak first and then Mr Bamsey, who has had a much lengthier involvement than me with these international negotiations, might wish to speak. We do take a different position as a government, and I am going to talk about leadership—that Australia has a moral and an economic responsibility to show leadership on this issue. Professor Garnaut's report confirms what previous reports have told us—that is, our environment, our economy and our community are vulnerable to climate change, so we have a self-interest reason as well as a moral reason to engage very constructively in these global negotiations. We cannot simply sit on our hands and say, 'Oh, we are only this percentage, so we do not have to do anything unless you do.' If all the nations around the globe take that approach, we will continue to be where we are, which is to not have an effective agreement across the international community to tackle climate change.

We will take the approach we took in Bali and have taken since, and that is that we will do all we can to contribute to an agreement. We will use all levers that we have. We will engage as constructively as we are able to with all the nations of the world and particularly with the major economies. You are correct in one aspect, Senator. There is no effective agreement if we do not have the key economies like the United States, China, India, Japan, Russia et cetera

as part of the solution. We are very aware of that and that is why we will engage actively and constructively in the multilateral fora, and also bilaterally, to try to achieve an outcome.

Senator IAN MACDONALD—I knew all that, Minister, and that really was not my question. Perhaps I could revert to my question now.

Senator Wong—I am not clear on what your question is. If the question is that Australia has only 1.5 per cent of the world's emissions and therefore you should do nothing, my answer is that I disagree, and the government disagrees.

Senator IAN MACDONALD—Please do not verbal me.

Senator Wong—I am not sure what the question is. It is a genuine response.

Senator IAN MACDONALD—Let me repeat it. Having made the acknowledgements that you have just mentioned, your approach is the same approach as the previous government and the same approach as all of us—

Senator Wong—That is not the case.

Senator IAN MACDONALD—We are not having a debate. My question is: what impact do Australia's emissions have on the change in climate in the world? Perhaps I could put it another way. If Australia did not emit anything, what difference would that make to the change in the world's climate?

Dr Parkinson—If you are asking the question—

Senator IAN MACDONALD—The question is very simple.

Dr Parkinson—I am struggling to understand the question. I am sorry if I am being a bit thick about it.

Senator MILNE—It is a 'we are all right Jack, pull up the ladder' question.

Senator IAN MACDONALD—I will not be verballed by people like Senator Milne and Senator—

CHAIR—Dr Parkinson is trying to respond to the question. He has the call. Senator Macdonald, you have asked the question and Dr Parkinson is trying to respond.

Senator IAN MACDONALD—He said that he was not able to understand the question. I do not know how much clearer I can be, Dr Parkinson. I am asking what impact Australia's emissions have on the change in climate of the globe. I have put it another way to make it simple. If we stopped all of our emissions—absolutely every single percentage point of our emissions—what change would that make to the climate change of the globe?

Dr Parkinson—It would be the same as if you removed 1.5 per cent of world emissions from anywhere.

Senator IAN MACDONALD—What impact would that have on the change in the climate?

Dr Parkinson—So you are asking me what the impact is of 1.5 per cent of world emissions?

Senator IAN MACDONALD—Yes, but it is 1.4 per cent.

Dr Parkinson—In terms of going forward, it would simply lower the level and it would delay slightly the concentration levels you would have otherwise achieved.

Mr Bamsey—Perhaps I can add to that. I think I can be fairly confident in saying that I do not believe anybody has ever calculated that. The reason it has never been calculated is that climate change is seen universally as a global problem that is susceptible only to a global solution, so there is no practical implication that suddenly one country ceases to emit and there is a significant change to the global problem of climate change. I certainly know of no calculation that has ever been done on the physical impact of a sudden cessation of Australian emissions.

Senator IAN MACDONALD—It is obviously, I suspect, something that the very learned and technical scientists might be able to calculate: would it blow out the disaster we are facing in a hundred years time by a year, a day, a week? Can I ask the department to use its resources to see if there is any material around that may indicate what a 1.4 per cent reduction in global emissions would do to the changing of the world's climate? We all accept that the climate is going to change. We accept that we are going to get wetter in the north and drier in the south and that we may have more cyclones or whatever. I am just trying to find out where Australia fits in the cause of all those things. If it is possible I would like it to be taken on notice.

Mr Bamsey—Certainly; we will take it on notice.

Dr Parkinson—There is a very important point in the question—that is, if you could reduce emissions by 1.4 per cent by Australia going to zero, that would have come about because, presumably, you had worked out how to deal with land use change, how to get a really effective emissions trading scheme and how to break through all the different technology barriers. That would be information that could be shared globally and it would be a model for the rest of the world. It would probably have a dramatic impact on future climate development, because you would actually have a country that had showed it could go to zero—or close to zero—emissions.

Senator IAN MACDONALD—We would export—as we often do—Australia's great intellectual ability if we were to work that out. I accept all of that. Of course, it predisposes your answer that assumes that others would pick it up—but that is a matter for debate. If you could take my question on notice and let me have some information, that would be great.

Dr Parkinson—I am happy to do that.

Senator Wong—I am not going to give a lecture about leadership again, Senator Macdonald, but I want to make one point. Our position in international negotiations is affected by what position we take domestically. If we were to take the position, as the previous government did, of not ratifying Kyoto et cetera or if we were to take a position that said, 'We are only emitting 1.4 per cent and we want you to do something,' we would substantially nullify—if it is possible to qualify the verb 'nullify'—our negotiating ability. As I said, we as a government do take the view that there is a very strong self-interest reason, as well as a moral reason, why Australia should be part of the global response on climate change, because we are susceptible.

Senator IAN MACDONALD—I agree with you; I think Australia is very important. I think we play a major role in world diplomacy and punch above our weight—using all the

buzz words. That is good, and I am very proud that we are doing it. I suspect, though, that others do not quite see us that way—but we, as proud Australians, will continue to think that what we do will impact on the world.

Senator BIRMINGHAM—Minister, could you remind me what the government's target for mandatory clean energy production is?

Senator Wong—It is 20 per cent by 2020.

Senator BIRMINGHAM—I thought that was right. I was just worried I was getting my 2020s with Professor Garnaut and so on mixed up. Is Professor Garnaut considering aspects of mandatory targets around clean energy production, as well as his work on emissions trading?

Senator Wong—Professor Garnaut's interim report goes to a range of issues. From recollection, for example, one of the issues he raises is the transmission of renewable energy sources. As I have made clear, the government is very clear that he is to provide independent advice. He has fairly broad terms of reference. If he chooses to provide us advice in relation to renewable energy, that is a matter for him, and we will consider it. We do have an election commitment. It is my responsibility to implement that, and we are undertaking work to progress it.

Senator BIRMINGHAM—So, you will not necessarily be asking him to look at that commitment: whether it is the right formula for a 2020 target and whether the terms of it are correct? Will you be leaving it to him to decide whether to look at it, or not?

Senator Wong—We do not have a view about core and non-core promises. We have a view that we have made a commitment to a 20 per cent renewable energy target. I am not proposing to give that to Professor Garnaut for reconsideration, but the government is very happy to receive his advice—should he choose to give it—on the implementation of that policy.

Senator BIRMINGHAM—Is the government absolutely not negotiable on that applying only to clean energy and therefore excluding carbon sequestration?

Senator Wong—We made it very clear that that commitment was to renewable energy. We have—I think it is half a billion dollars—a clean coal strategy. I might be corrected if that is not quite the right terminology, but that is my recollection of the election commitment. As I had previously indicated to your colleague Senator Johnston, responsibility for that lies in Minister Ferguson's portfolio. We are very conscious of the importance to the Australian economy, and to our energy needs, of finding a CCS approach in the coal industry, but the renewable energy target is for renewables.

Senator BIRMINGHAM—I would not wish to urge you to break any promises at all, Minister, but might there not be some benefit in encouraging Professor Garnaut to consider whether 25 per cent by 2020—that included clean coal and therefore set up the market incentives that go with that, to encourage the development of clean coal, along with those renewable energies—would be an option?

Senator Wong—I would like to make two points in response. Firstly, Professor Garnaut's terms of reference, which are public, are wide enough for him to report on a great many

matters, including the matters that you raise in relation to climate change. Secondly, we are committed to reducing emissions at least cost. We have committed to the implementation of an emissions trading scheme because it utilises the market to drive abatement at least cost. We are very conscious of the need to use the market to achieve those outcomes.

Senator BIRMINGHAM—Is the department doing any work on carbon sequestration, or is that all in Minister Ferguson's domain?

Dr Parkinson—It is all in Minister Ferguson's domain. I would like to add something to what the minister just said. The introduction of the emissions trading scheme will send an incredibly powerful signal to people about the importance of sequestration. There is a fundamental market failure in the absence of an explicit price on carbon. The introduction of the emissions trading scheme will address that. At the same time, there are traditional and well known market failures around issues such as research and development. We think that energy is a particular area where this market failure is apparent, and that is why there is a significant role for government in encouraging research, development and demonstration. That is the reason we talk about complementary policies—complementary to the emissions trading scheme. The emissions trading scheme will provide the really key driver and indicator to people of the value of engaging in CCS, but, at the same time, you need to work on the things that are preventing the development of CCS. Part of that is the classic public goods problem associated with innovation, so research and development subsidies—

Senator Wong—Speaking like an economist.

Dr Parkinson—I am speaking like an economist; yes, I heard that, Minister. I am an economist; I am sorry. It is a dirty word in some areas; I am aware of that. The clean coal fund and previous things like the LETDF were all aimed at the same issue: at addressing those public policy challenges.

Mr Bamsey—Can I just add a point of fact. While the Resources, Energy and Tourism portfolio has the overwhelming responsibility for work within government on CCS, I understand that the Department of Environment, Water, Heritage and the Arts is also conducting some work on potential regulatory arrangements for that. This department, too, is involved in international partnerships that are directed at cooperation on developing the technology around the world. It is a whole-of-government effort.

Senator ALLISON—Minister, what inputs is the government waiting for before arriving at its targets for 2020, other than the Garnaut report and Treasury modelling?

Senator Wong—I did canvass this in response to a question from Senator Johnston at the outset. I have said that the key issues that we want to consider will be Professor Garnaut's final report and also Treasury modelling. There are also the inputs into the NETT and TGET—the task group on emissions trading that Dr Parkinson chaired the secretariat of. There is also the consultation with stakeholders and the community on these issues over the coming months.

Senator ALLISON—And what is the time frame for doing all of that?

Senator Wong—We have indicated we will finalise scheme design this year.

Senator ALLISON—Targets or emissions trading scheme?

Senator Wong—We will finalise scheme design this year.

Senator ALLISON—When this year?

Senator Wong—Later this year.

Senator ALLISON—September or December?

Senator Wong—I have indicated that we intend to outline a mid-term target this year.

Senator ALLISON—So you cannot be more precise about the time frame?

Senator Wong—Later this year.

Senator BOB BROWN—You cannot.

Senator Wong—It is fairly obvious that the Garnaut final report is due in September. Obviously we would want to consider that.

Senator Bob Brown interjecting—

Senator WONG—It is an important contribution to the debate and to government thinking, Senator Brown. I would have thought that even you would acknowledge that governments have to make decisions.

Senator BOB BROWN—I do.

Senator Wong—They are not decisions you contract out to individuals. It is fairly obvious that it will be post-September. I am not trying to be difficult, Senator, but these are matters the government will need to consider. I can tell you that the intention is to indicate both scheme design in terms of ETS—which in itself does suggest something about targets—and a mid-term target in 2008.

Senator ALLISON—So is there a time frame for all those other elements you have mentioned, including when you will conduct consultations?

Senator Wong—Yes. I gave a speech on 6 February which broadly lays out the scheme design parameters for ETS and a broad timetable. If you are not able to get it, I am happy to provide it to you. It does set out at least the outline of the government's approach in this particular area.

Senator ALLISON—But you are not able to tell us whether it is late September when the target will be set, or October, November, December?

Senator Wong—After we receive the Treasury modelling and after we consider the final Garnaut report.

Senator ALLISON—Are the assumptions that were made in the Treasury modelling, or are being made in the Treasury modelling, public?

Dr Parkinson—No, Senator, they are not.

Senator ALLISON—Why is that?

Dr Parkinson—It is a work in progress, so you are working through what sorts of assumptions you want to make public, the cost curves in individual industries, or how international negotiations might pan out. There is a huge set of assumptions, and those have been developed by the Treasury after extensive consultation with people in the field.

Senator ALLISON—So did any of the assumptions change with the change of government?

Dr Parkinson—I cannot tell you that. I do not know the answer.

Senator ALLISON—Who instructs Treasury as to what assumptions ought to be made?

Dr Parkinson—Nobody instructs Treasury as to assumptions. If you want the modelling to be the best, you need to have a range of assumptions and test those. Treasury has consulted extensively about the issues that people think are important for it to take into account.

Senator ALLISON—Your department did not have input into the consultation?

Dr Parkinson—The modelling work that is undertaken reports to the Secretary to the Treasury and to me.

Senator ALLISON—Yes, but do you have input into the Treasury assumption development?

Dr Parkinson—Yes. The work is guided by a steering committee that is chaired by a deputy secretary in the Treasury and upon which my colleagues sit.

Senator ALLISON—What did you advise Treasury with regard to the relative costs of geosequestration of CO₂ from coal-fired power generation vis-a-vis renewable energy?

Dr Parkinson—We would not have advised them of anything about those things.

Senator ALLISON—Why not?

Dr Parkinson—We are actually asking other people to tell us what they think the costs are. I think there is a fundamental misunderstanding here. Treasury have engaged with a range of experts and they are essentially absorbing that information about the views of those experts. It is not for those of us in government to impose assumptions on this. We are trying to get a sense of what is the most realistic outcome.

Senator ALLISON—But you do agree that this is a central question. The government has attached its policy and its public position to coal being part of the picture in the future for this country and is putting quite substantial amounts of money into geosequestration. It is not a peripheral issue.

Senator Wong—I can respond briefly before I refer to Dr Parkinson. The government has also made a very substantial commitment to renewable energy. I am happy to provide you with more information about that. Some of those programs are within Minister Garrett's portfolio or Minister Ferguson's portfolio, but I have responsibility for one of the most significant commitments which is the 20 per cent renewable energy target.

Senator ALLISON—I suggest, Minister, that you also have responsibility for—

Senator Wong—I am just making the point that that is a mechanism to drive investment in renewables and I would not want it thought that we do not consider renewables to be part of the answer—clearly, they have to be. We do think, however, that a clean coal strategy is a key priority. We recognise the importance of the coal sector and the importance of finding a lower emission approach to coal, which is why Minister Ferguson has responsibility for the funds I have outlined previously. We are doing both.

Senator ALLISON—Is there a detailed brief available on the relative costs of renewable energy versus geosequestration and the time frames within which both forms of electricity generation are available vis-a-vis the target setting and the desirability of early cuts?

Dr Parkinson—Senator, perhaps you have an idea of modelling that is a bit different to what is actually being undertaken. The way the work will be done is to consider a range of scenarios. Those scenarios will, amongst other things, consider different issues around the timing of different technologies and different issues around the relative cost of different technologies. There is not an attempt to come out with a single-point estimate or a single hard line that says, ‘This is the answer.’ Inevitably, we have a situation where we have got a 60 per cent reduction by 2050 and we have got where we are starting from, and between those there is a massive amount of uncertainty.

Senator ALLISON—I understand that, Dr Parkinson. As a result of this modelling, will there be a range of options with regard to what I am talking about? For instance, will the modelling say, ‘If coal geosequestration turns out to be \$150 a tonne these are the implications; if it turns out to be \$80 a tonne et cetera’? Will we see that in the modelling?

Dr Parkinson—Without wishing to go to the detail, because I think that is a question that you should direct to our colleagues in Treasury—

Senator ALLISON—No, I am interested in your input into what Treasury is doing.

Dr Parkinson—Without going to the detail of how outcomes will be presented, there will be scenarios. But, as we said to Senator Johnston earlier, this is very much a work in progress. Treasury have been in listening mode and have been very open in talking to anybody who wants to talk to them about issues around the relative costs of different technologies or about different cost curves around energy efficiency. They have basically just been sucking up as much information as they can and they are now in the process of trying to put it all together in a way that makes some coherence so that they can actually do the modelling, do the scenario analysis.

Senator ALLISON—Perhaps I can ask the minister: is it your understanding that Treasury has been asked to do this modelling on the basis that coal will be an ongoing source of energy production?

Senator Wong—Well—

Senator ALLISON—Well, that is your policy, Minister.

Senator Wong—Our policy—

Senator ALLISON—Is that what Treasury has been asked to do or not?

Senator Wong—The Treasury modelling, as I understand Dr Parkinson’s evidence, will address a range of scenarios. The government’s commitment to its clean coal strategy is as I have outlined. I have to say that I am not really sure what you are getting at here, so I am having trouble working out where you need me to respond.

Senator ALLISON—On what assumptions have you decided that coal is the future for this country and will remain a generator of substantial amounts of electricity? Correct me if I am wrong, but that is how I am reading what your government’s policy is. What assumptions

have you made with regard to that? Is it that coal geosequestration can be competitive with, for instance, wind power?

Senator Wong—I understand that you have a different view about this, but—

Senator ALLISON—No, I am asking your view, Minister.

Senator Wong—I was about to answer your question, Senator. Our view is that you need to do both. You need to do a range of things.

Senator ALLISON—And why is that?

Senator Wong—Because we believe that it is appropriate for the government to invest not only in renewables but also in our clean coal strategy. A very significant proportion, as you know, of Australia's baseload energy is provided through coal powered generation and we need to consider how we can effect a cleaner coal industry, given the profile of the Australian economy. That does not suggest at all that that is all we do. We have two major commitments that we are implementing that I think your party has probably called for for some time. They are a commitment to renewable energy and a commitment to an emissions trading scheme which does send a very clear price signal. I suppose it is the 'walk and chew gum' analogy.

Senator ALLISON—But is this strategy based on jobs in the coal industry or the coal industry itself? Is it based on least-cost emission abatement? Is it based on the market? It is not altogether clear. I have read your policy documents and it is not altogether clear what your assumptions are or what the basis of that strategy is.

Senator Wong—It is recognising that shifting to a lower carbon future requires us to work across the economy. It is recognising that this is a very substantial shift. It is recognising that you need a wide range of policy measures to effect the sort of change that the government is seeking to implement, which will go forward for many years. So there are a number of measures. The principal ones for which I have responsibility are the introduction of emissions trading, which is a very significant step, and the renewable energy target, which again is a significant step. We also recognise that we need to drive cleaner energy across different sectors, which is why we have the National Clean Coal Fund, to which I have referred. But, as I said, detailed questions on the Clean Coal Fund would need to be addressed to Minister Ferguson's portfolio.

Dr Parkinson—Can I just add another point: irrespective of what happens in Australia it is imperative for Australia that there be solutions to the clean coal issue. Coal is the most widely distributed fossil fuel in the world. Countries are going to use coal because it is so widely distributed and because the technology is well known and it is cheap, so for energy security reasons countries are going to use coal. It does not matter whether a tonne of emissions come out of Melbourne or out of Moscow: we are going to be affected. Even if Australia does not use coal, we are going to be affected if other countries do. So finding the solution to the clean coal problem is actually an important part of the global solution to climate change. It also happens to be the case that if we can find that solution it will allow us to exploit the fossil fuel reserves that we have here without any impact on the global climate. So it is a critical issue.

Senator ALLISON—Minister, given the urgency for cuts, will the government be developing a target for 2010?

Senator Wong—As I have said in answer to a previous question, we will be setting a mid-term target.

Senator ALLISON—Is that 2010?

Senator Wong—No. We will be setting a mid-term target. We have ratified the Kyoto protocol and we have commitments within the context of that commitment period.

Senator ALLISON—So the answer is no.

Senator Wong—Well, we have a target as a result of our ratification of the Kyoto protocol for the period—is it to 2012?

Dr Parkinson—From 2008 to 2012.

Senator ALLISON—According to current projections, we will exceed the Kyoto target by six megatonnes of CO₂.

Senator Wong—As I announced in January, or it might have been in December, I have asked for further modelling to be done for the government's Kyoto period targets. In terms of a mid-term target, what I have said is we will set that—as per our previous discussion—post the Garnaut review and post the Treasury modelling and our consideration of those matters. That will be done this year.

Senator ALLISON—Did you make that request for extra modelling because the *Tracking to Kyoto* report, which was due to be made public in December last year, is still on your desk?

Senator Wong—That is a very provocative way of putting it.

Senator BOB BROWN—It is a simple question.

Senator Wong—Yes, and my answer is that we came to government with a different set of policies. If you refer to what I said at the time, I indicated I would ask the department, in consultation with those they work with on these rather complex projections, to model not the previous government's policies but our policies, including the 20 per cent renewable energy target which we have been discussing. I can indicate I anticipate releasing that information in the very near future.

Senator ALLISON—I understood the *Tracking to Kyoto* report was a record of our emissions, not what we were proposing.

Senator Wong—Yes, I am sorry; I thought you were talking about the projections.

Ms Thompson—The *Tracking to Kyoto* document is the document that outlines the projections. I think you may be thinking of the National Greenhouse Gas Inventory, which is the one that provides the historical emissions.

Senator ALLISON—So this document was prepared for release in December but is being held up because we do not have a target?

Senator Wong—No, Senator. There was a change of government, and I was sworn in on 4 December. What I indicated was that, in terms of projections, I wanted projections against the new government's commitments. I am sure you would agree that is a reasonable thing to do, to assess what our projected emissions trajectory looks like as a result of the various

initiatives with which we came to government. That was the basis on which I sought that that exercise be undertaken.

Senator ALLISON—When can we expect this report to be released?

Senator Wong—As I have said, I anticipate releasing that in the very near future.

Senator ALLISON—Will it be next week? Will it be in six weeks time?

Senator Wong—In the very near future, Senator.

Senator ALLISON—What does that mean, Minister?

Senator Wong—Exactly what it sounds like. That is a decision for government.

Senator ALLISON—With reference to the MRET, you have announced that the total amount of renewable energy will be increased by 20 per cent by 2020. Why is it that there is a need to wait until 2010 to start that new target?

Senator Wong—I will let Dr Parkinson indicate that, but we do have some existing schemes in the states that we have to negotiate and bring into the federal scheme. Dr Parkinson can address that.

Dr Parkinson—A key part of the proposal was to absorb the existing state schemes, so there has to be negotiation with the states. That has been launched under the COAG process; meetings have already started. There is a proposal that we bring an implementation plan to the next COAG meeting in late March outlining how we are going to absorb the state programs into the national program. Because there are inconsistencies between the approaches in the different states—there are inconsistencies; I am not saying that one is right and others are wrong but there are differences in the way that they have approached things—we have to find a way that is agreeable to bring everything together. Once we have worked our way through that we will have to introduce legislation into the parliament. We are anticipating that it will take us through to relatively late this year to get agreement with the states. Then we will have to go into the process of drafting the legislation. Then the parliament will have to consider the legislation, which will be sometime in 2009. So it is a 2010 start date. It is just a legislative impossibility for us to actually reach agreement more quickly, get the legislation in place and get things started.

Senator ALLISON—Is the question of eligible sources up for grabs with the states?

Dr Parkinson—By ‘eligible sources’ do you mean which types of renewable technologies?

Senator ALLISON—How renewable energy is defined. Will it be identical to the current arrangement or are there changes being proposed to include other sources of either low emission or other renewable energies currently not covered?

Senator Wong—I think we made an election commitment to that, but Ms Thomson can clarify.

Ms Thompson—That is correct, Minister. The election commitment said that the eligibility requirements would stay the same as those under the current MRET scheme.

Senator ALLISON—So surely it is just a matter of tinkering with the existing legislation. What else has to be changed?

Senator Wong—I can understand where you are coming from. One of the things I have worked out about getting into government is that implementation takes a bit longer, unfortunately, than you would hope. As Dr Parkinson has said, we have to get agreements with the states and then get the legislation through the parliament. I think industry is very clear about our election commitment. It has been discussed quite widely and the 2020 date of the target is something that has been discussed quite widely. But we are very conscious of that.

Senator ALLISON—So the sources are not in contention. If the time frame is not in contention because that is your policy, what are the issues that are still being debated that will take 12 months to sort out with the states?

Dr Parkinson—There are a range of issues that have to be resolved. You are correct, the Commonwealth could step in and do this very quickly, but it would need to do a covering-the-field legislative approach, which is not going to be warmly welcomed as a sign of cooperation. So we have to work with the states to develop an approach which everybody is going to be happy with. If you think about Queensland, for example, it is not just the RET but also the gas target. Are we going to roll the gas target into the RET? One would not have thought so, but then how does Queensland manage the fact that you have got a RET and the gas target sitting next to one another? How do those things get worked through? How do you treat firms that are in the process of seeking eligibility approval in existing state schemes?

I will be very careful here. It is not out of the question that a particular state could say, 'Yes, we are very happy to have a national renewable energy target as long as exactly the same amount of renewable energy is created in our state as would have been under our previous state-based policy.' If that is the case, you do not need a national renewable target. The whole reason for having a national renewable target is so that you are actually able to get some coherence into the whole approach and you are generating using technologies that work well in the places that they are most suited to.

Senator ALLISON—Has an analysis been done of the impact of this time frame on the renewable energy industry in Australia?

Dr Parkinson—No.

Senator ALLISON—Why not?

Dr Parkinson—For what purpose?

Senator ALLISON—MRET, as we all know, has been fully subscribed for some time. There are something like seven million RECs, as I understand it, out there that have been banked. Even if this were to start in 2010 it is not likely that there will be any market for the RECs for—what?—another year or another two years.

Dr Parkinson—I think you are confusing two issues here. It is actually to individual firms' commercial advantage to get in and stockpile—that is, to put their capacity in before the target is required and to stockpile, basically engaging in behaviour that could be seen as discouraging alternative sources.

Senator ALLISON—So where is your analysis to show that that is the case?

Dr Parkinson—I am sorry; I had not finished. There is a clear issue here—which is expressed to us by some—that if you ramp up the RET too quickly all you will do is basically turn it into a wind target. Others are out there saying, ‘Well, actually you don’t want to ramp it up quickly; you want to ramp it up on a more staged basis.’ We are actually in a process—as I said, through the COAG process—having just started this work, of working with the states to see how we bring all this together and to understand the implications of it.

Senator ALLISON—Do I understand from that that the proposal is to have a similar ramping up arrangement to that of the previous government, which as I understand it Labor criticised along with us?

Dr Parkinson—No, no decision has been made.

Senator ALLISON—I see.

Dr Parkinson—This was put into COAG at the COAG meeting in December. The working group that is responsible for this, chaired by the minister, has met once and will meet again in the next few weeks. There has been a subgroup established under that to actually do this work. They have started. We have just started.

Senator ALLISON—But your comments suggest that already you have decided that a straight line ramp—

Dr Parkinson—No, Senator.

Senator ALLISON—Let me finish. You stopped me a moment ago.

Dr Parkinson—My apologies.

Senator ALLISON—You have already given the committee reasons why we should not ramp up in a straight line, as it were, in order to not give undue benefits, if you like, vis-a-vis other renewable energy sources. That is what you said. To what extent has that advice that you are giving us been given to government?

Dr Parkinson—To be clear, I did not say that. I said we have been told that by some—that is, by some other renewable energy producers or putative renewable energy producers.

Senator ALLISON—And you have taken that advice on board or you have not?

Dr Parkinson—I am just saying to you that it is not one way or the other. There are different views around this about how you ramp it up. This is part of the work that has to be undertaken through the course of this year.

Senator ALLISON—So the work will include some sort of analysis of the impact on the industry rather than guesswork and anecdotal anonymous advice?

Dr Parkinson—Yes. We will be undertaking analysis on the design of the scheme. One of the issues we will have to be considering is this particular issue.

Senator ALLISON—Minister, is that high on your agenda—the wellbeing of the renewable energy industry? We have lost some classic and important scientific and developmental gains in renewable energy to overseas companies. Do you regard this as an important industry?

Senator Wong—Absolutely.

Senator ALLISON—So will that be a factor in determining—

Senator Wong—That is why we have a renewable energy target and, unlike the previous government, it is, I suppose, technology specific in that the previous government's target could include nuclear—and I have made clear our views on that. We are committed to the renewable energy target and we are implementing it.

Senator ALLISON—Will it be an absolute target or will it be in terms of gigawatt hours, or will it be a percentage based target?

Senator Wong—The election commitment is to 20 per cent by 2020.

Dr Parkinson—But it will be legislated at 45,000 gigawatt hours.

Senator ALLISON—So it is absolute; it is not a percentage.

Dr Parkinson—It is based on an estimate of likely demand.

Senator ALLISON—Will you have a more accurate estimate than the previous government's target produced in order to arrive at a grossly inadequate absolute number of gigawatt hours?

Mr Comley—My understanding of the election commitment is that the legislation will be 45,000 gigawatt hours but the commitment is to 20 per cent by 2020.

Senator ALLISON—I am sorry, Mr Comley, the previous government also had an absolute commitment to two per cent, and it turned out to be, what is it, 0.5 per cent or 0.3 per cent at the end of the day, by 2010. Will the same mistake be made this time around?

Senator Wong—Chair, I appreciate that this is something that Senator Allison feels very strongly about. I acknowledge that she has spoken in the chamber on this on a number of occasions. But Mr Comley probably needs to know which question he should answer rather than simply being peppered.

CHAIR—Senator Allison has only a couple of minutes to wrap up. If you could ask one question at a time it would be helpful.

Mr Comley—I was trying to be helpful by explaining the difference between the 45,000 gigawatt hours and how that fits into the 2020 20 per cent target. The 45,000 gigawatt hours is what is being delivered through RET, but that does not mean it will be the only measure that may assist renewable energy to meet a 20 per cent target. That would include, for example, the impacts of the emissions trading scheme on renewables or other measures that the government may choose to take between now and 2020.

Senator ALLISON—I am sorry, Mr Comley, could I just interrupt because we are so tight on time. That was not actually my question. You will recall that back in 1998, I think it was, or 2000, the government said, 'The target is two per cent and we will turn that into an absolute figure of 9,500 gigawatt hours', which turned out, down the track, to be far short of two per cent of the total energy generation. My question is: how can you be sure that 45,000 megawatt hours is equal to an additional whatever the percentage is by the time we get to 2020? It is not a total 20 per cent, I understand that. It is over and above the existing scheme and the existing provision of hydro and so on. How can you be sure that you can turn a percentage into an absolute figure with any accuracy?

Senator Wong—As I understand, and I will ask Dr Parkinson or Mr Comley to add to it, there is a range of policy measures to get to the 20 per cent target, so the legislated absolute gigawatt-hour target is the primary, but not the only, policy mechanism that is being utilised. I think that is what Mr Comley was indicating to you, Senator. Obviously we can only work on the information we have now. You have correctly identified there is generally additional capacity in terms of energy consumption and energy generation in the Australian economy over time, and in terms of the legislation we pass in 2009 we can only work on the information we have.

Senator ALLISON—Does that mean there is a broader—

Senator Wong—I think Dr Parkinson had something to add to my answer.

Dr Parkinson—The legislation will need to specify a hard target, because if you specify it in terms of 20 per cent, what happens if it turns out—

Senator ALLISON—It will be something less than 20 per cent. I acknowledge that.

Dr Parkinson—But let us say for argument's sake that you specify it as being 20 per cent. Nobody will know what 20 per cent of 2020 is, even in 2020. You will not know until the end of the year. All you can really do is try and estimate what the demand will be and—

Senator ALLISON—I understand that.

Dr Parkinson—then come back to the fact that you have the 20 per cent by 2020 commitment and you have the 45,000 in legislation. If the two things do not marry up, that will be an inconsistency, and it will be up to the government to deal with that.

Senator ALLISON—I have a final question. On the 20 per cent—

CHAIR—Senator Milne has the call. We are really limited with our time. We have already reduced the lunchbreak, so we will only be going through until quarter to one.

Senator ALLISON—This is just a question on notice, Chair. Could we have a breakdown of that 20 per cent? How much of that is existing? How much will be met by this target? How much will be met by other measures projected over the time frame to 2020?

Dr Parkinson—I can tell you—

CHAIR—Sorry; could you take that on notice.

Dr Parkinson—Okay.

Senator MILNE—My question is to the minister as it is a policy question. Is it the case that Labor in this term of government will not set a higher target than 60 per cent below 2000 by 2050?

Senator Wong—As I have indicated—and I understand from what I have seen in the media reports that the Greens have a different view—that is the commitment that we have made. Obviously, there are a range of climate change scenarios in terms of the science. This government, unlike the previous government, acknowledges the urgency of this issue. We are committed to the setting of a mid-term target. Yes, the commitment is to a 60 per cent reduction by 2050.

Senator MILNE—Thank you. What does that represent in terms of parts per million atmospheric concentrations of greenhouse gas emissions?

Senator Wong—I might defer to Mr Bamsey or Ms Adams on that issue. But, as you would know—and Senator Brown asked me a question which was not dissimilar in the chamber in question time—

Senator BOB BROWN—But I did not get an answer.

Senator Wong—That is your view.

Senator BOB BROWN—We did not.

Senator MILNE—That is why we are asking now.

Senator BOB BROWN—There was no answer from you, Minister.

Senator MILNE—Can we have an answer?

Senator Wong—I am trying to answer it.

Senator MILNE—What does it represent in parts per million?

Senator Wong—The point that I made was that I can only talk in terms of what Australia's targets are. It really goes to the issue that Senator Macdonald was raising, which is how we discuss the issue of what appropriate reductions are in terms of greenhouse gas emissions. The way we do it is in relation to emissions from individual nations. What the cumulative result of that is is a matter for the international negotiations and a matter for the reality of what governments choose to do. I do not know if Ms Adams or another officer wishes to add to my answer.

Mr Bamsey—All I can say is that I do not know how you would calculate the implication of a 60 per cent reduction in Australian emissions for global concentration.

Senator MILNE—Okay. So where did the 60 per cent below 2000 levels by 2050 come from, given that 60 per cent below 2050 came out of the European Union in the year 2000? What science is it based on? What degree of global warming does that represent that you accept is dangerous climate change? That is what we are trying to get an understanding of, because it underpins all government policy.

Senator Wong—Senator Milne and Senator Brown, I understand that the Greens have a different position on this.

Senator MILNE—We want to know the answer. We do not know your position.

Senator BOB BROWN—We want to understand your position.

Senator Wong—My position is 60 per cent by 2050. That is the target.

Senator BOB BROWN—What science was that based on?

Senator Wong—While in opposition, we set that on the basis of a range of information available at the time. You have referred to the European Union discussion. The Stern report had some discussion of this, along with various reports from the IPCC. I understand that the position of the Greens is that you would like a greater target than that.

Senator MILNE—No, we want—

Senator Wong—Senator Milne, we are just going to have to agree to disagree on this. That is the government's position. The question that you are asking appears to be, 'What do you say that means in terms of climate change?' You and I both know that the science on this predicts a range—

Senator MILNE—I do not know that you know. That is why I am asking you.

Senator Wong—The science on this predicts a range of scenarios. Things might be worse than predicted; they might be better than predicted. The best thing the government can do at the moment is to make sensible and rational decisions. I hope even the Greens would acknowledge that we have actually taken very significant steps—and will take very significant steps—as a government, certainly as compared with the past government. Those steps may not be as much as you would like, but I hope you would acknowledge that we are focusing very much on this issue.

Senator MILNE—Article 2 of the UNFCCC states that emissions of greenhouse gases should be limited to levels that avoid dangerous climate change. That is something that Australia signed on to. I am asking from a policy position: what degree of warming constitutes dangerous climate change and underpins Australian government policy?

Senator Wong—Senator Milne, you and I both know that, when emissions go into the atmosphere, they are not tagged as Australia, Russia et cetera—and I am sorry if you get grouchy about this—so it is not possible for me to tell you what a 60 per cent reduction in 2050 will mean in terms of the globe. That is contingent upon not only what Australia does but also what other countries do. You know that. That is why your party argues for a global solution.

Senator MILNE—I am asking you: do you accept that we need to constrain global warming to below two degrees globally? Do you accept that as the policy position underpinning Australian government policy?

Senator Wong—We have always said that we will be informed by the science. I have said that our election commitment—and the government's commitment—is to a 60 per cent reduction by 2050. In terms of the actual impact that that will have on global warming, it is not possible for anyone in this room to identify that because it is largely contingent on the actions of other countries. Yes, we have said that we are committed to doing all that we can to avoid dangerous climate change.

Senator MILNE—What is dangerous climate change, Minister?

Senator Wong—We accept—

Senator MILNE—Either in temperature or parts per—

CHAIR—Senator Milne, I remind you that, if you ask a question—

Senator MILNE—It is a simple question.

CHAIR—please allow the senator to respond.

Senator MILNE—Well, she is not.

Senator Wong—Senator, I might not be giving the answer you want.

Senator BOB BROWN—You are giving no answer at all, Minister.

Senator MILNE—That is right.

Senator Wong—I am not sure how I can assist you any more, really. We have said—

Senator BOB BROWN—I will just reiterate very simply Senator Milne's question. Does the government accept that a two-degree global rise in temperature would lead to dangerous consequences or, if it does not, what degree Celsius rise in global temperature does it accept would be dangerous? Secondly, what does the government believe is the concentration of greenhouse gases in the atmosphere that would lead to dangerous climate change? European governments have set those levels. What is the Australian government's figures on those two parameters?

Senator Wong—The EU, not all European governments, have set, I think, 25 to 40 as their indication, with 30 per cent contingent upon other countries doing something as the mid-term goal. As I said to you in the chamber, Senator Brown, that is the way in which these international negotiations proceed. If you are asking me whether we accept the urgency and the seriousness of climate change, of course we do. But I cannot give you an answer as to what I consider will be the effect of a 60 per cent reduction by 2050.

Senator BOB BROWN—You do not know what temperature rise would constitute dangerous climate change, do you, Minister, because you do not have an answer to that question?

Senator MILNE—That is right.

Senator Wong—There is a range of scenarios around temperature change, which the IPCC and Professor Garnaut have already put out. Unlike the previous government, I accept that this is an urgent issue. I accept, reluctantly, that we are already at a point, in my view, where we have to look at adaptation as well as mitigation because of the climate change due to the emissions we have already put into the atmosphere. Yes, we consider this to be an urgent problem. Much of this is beyond Australia's control in the sense that what happens globally is an issue not just for us but for all the nations of the globe as well.

Senator MILNE—Since the 60 per cent below 2000 levels by 2050 is not based on an aim of constraining global warming to any level of degrees, and it is not based on parts per million, as every other target around the world is, what is your 60 per cent based on?

Senator Wong—That is not true, Senator. Your comment is not correct. There are a range of targets by other countries which are expressed as targets.

Senator MILNE—They are all based on those two parameters.

Senator Wong—They are expressed as targets. We have made it very clear what our commitment is. As I said, the effect on the globe of Australia's reduction at that level by 2050 is not something I can give you an answer on.

Senator BOB BROWN—There are two matters here.

Senator Wong—They are not something I can give you an answer on because it will depend, clearly, on what happens in other countries as well.

Senator BOB BROWN—There are two matters here, Senator. One is that you cannot explain why the 60 per cent level—

Senator MILNE—Where it came from.

Senator BOB BROWN—has been set. There is no science you are presenting to the committee to establish—

Senator MILNE—To base it on.

Senator BOB BROWN—why that was made. Secondly, you are telling the committee you are locked into 60 per cent regardless of what the science shows in the future.

Senator Wong—We have said we will be informed by the science and that is why—

Senator BOB BROWN—But you will stick with 60 per cent regardless.

Senator MILNE—You will stick with 60 per cent regardless.

Senator Wong—I have two senators now interrupting me at once. I could at least have only one.

CHAIR—If committee members want to waste time by talking over the top of each other, that is not going to help anyone. I suggest that one senator at a time ask a question and then allow Senator Wong to respond.

Senator IAN MACDONALD—If you want to get into that we will have a look at who has the numbers.

CHAIR—Senator Milne has the call.

Senator MILNE—Given that the government is locked into no more than a 60 per cent reduction by 2050, what is the point of undertaking a very significant yearlong study by Professor Garnaut—and indicating to the world in Bali that the Garnaut report was ‘the input’—and now virtually relegating that to the sidelines, given that his third term of reference was to recommend medium- to long-term policy options for Australia, a time path for their implementation et cetera? Now you say his report is ‘one input’ and we are going to a whole range of stakeholder discussions, which of course includes industry as well as the community. We are going to have a complete watering down, aren’t we, of Garnaut’s input to government policy?

Senator Wong—There is a range of propositions in there, Senator Milne, and I do not agree with a great many of them. The first is that there is no watering down of the Garnaut report.

Senator MILNE—I did not say there was. Watering down is—

Senator Wong—Senator Milne, do you want me to answer the question, or do you just want to have an argument with me, because we could do that outside?

Senator MILNE—All right, go ahead.

Senator Wong—There is no watering down of the Garnaut report. I have been very clear about this. Ultimately—and I am sure even you would agree with this—it is for governments to make decisions about issues such as targets. That is a matter for government. You do not contract out decisions significant to the Australian environment, community and economy to a

single individual. We are elected and that is the responsibility we have to undertake. Professor Garnaut's report will provide and is providing—his interim report has provided and his final report, I am sure, will provide—an extremely important contribution to government policy. It certainly is providing a very important contribution to public debate and discussion about these issues, which I welcome. What we are engaging in is essentially a transformation over time of the Australian economy to a lower carbon future. These are issues which you are very aware of. The Garnaut report is independent of government. I have made that very clear to Professor Garnaut and he is very clear about that. We do not influence what he says to us and—

Senator MILNE—I did not say he did.

Senator Wong—He is free to provide us with the advice that he sees fit and we welcome that. Ultimately, as you would expect, it is up to government to make decisions. You assumed that things would be watered down because I talk to industry. I make no apology for talking to industry, Senator Milne, just as I make no apology for talking to the community about these issues. Consultation is important, particularly when you are dealing with very significant changes to the Australian economy. Part of the reason that you have to also talk to industry is they have to be part of the solution. We cannot effect the change that we want—and I think your party would want—in terms of shifting to a lower carbon economy unless we get industry in as part of the solution.

Senator MILNE—Let us go to some specifics, then. If we all accept we are going to reduce greenhouse gas emissions, what volume of emissions reductions have you estimated will be achieved from your three energy efficiency programs—that is, the Solar Cities program, the solar panels in schools program and the solar hot water program?

Senator Wong—I might have to take that on notice. We may be able to assist you in terms of the abatement. I think at least two of those specific measures fall within Minister Garrett's portfolio—or possibly Minister Ferguson's. You would be aware, obviously, that not all eggs are in the one basket. I think we have had that discussion in terms of abatement from programs. Your point is a good one, though. I think energy efficiency is an area which has probably been underdone.

Senator MILNE—The problem I have here is that I thought this was the overall policy-setting unit for the government, in which case you would have a target of emissions reductions for this year, I would have thought. Does each government program implemented to impact climate change have a performance objective for the volume of emissions expected to be reduced by that program?

Dr Parkinson—As the minister said earlier, the projections will be released shortly. Built into those projections is the amount of abatement expected from the programs that you are talking about.

Senator MILNE—Will they be specifically listed by program?

Dr Parkinson—I think that is a decision for the government, but it is not typically the case that individual programs are listed by abatement.

Senator MILNE—Isn't it appropriate that we have a performance objective on money being spent on climate, that there would be a projection for emissions reduction? When I asked this question before in the appropriate estimates I was told there were no performance objectives for specific reduction levels in those energy efficiency programs.

Dr Parkinson—What would constitute the appropriate measure of performance is an interesting question. Would it be tonnes of abatement for a program, would it be tonnes of abatement per dollar spent for a program, or would it be tonnes of abatement per dollar imposed on the Australian economy? They are three different things. As an economist, I would do it based on the impost on the Australian economy. Were I to do that, then you would find that the cost would, more likely, be higher than if you did it based on the cost per dollar spent in a fiscal sense.

Senator Wong—Senator, you did raise these issues in DEWHA, I think. I am happy to take on board your views in terms of having some form of consideration of abatement outcomes from those programs. As was outlined in, I think, the DEWHA estimates—I could be wrong—obviously the objectives in some of these election commitments, for which detailed implementation may still be being developed, may not simply be abatement. They may also be community education and so forth. There are a range of policy objectives sometimes associated with these programs. But I will certainly consider what you have raised.

Dr Parkinson—And just to be, Senator: I was saying that because I think it is an important question. And it is one that we, as a department that has now existed for 11 weeks, want to tackle because we think it is absolutely important that we understand what we get in terms of abatement from different types of interventions into the economy, and over what time frames. But we do not actually have the tools to make those sorts of assessments now.

Senator MILNE—In terms of overall policy on climate change, what will the input of your department be in relation to estimating the current subsidies for the use of fossil fuels and the phase-out or addressing of those subsidies?

Dr Parkinson—I think we would like to be in a position over time where we have developed tools that would allow us to look at all sorts of interventions irrespective of what form they take and which sectors they are directed.

Senator MILNE—Is it market failure, in a climate change sense, to continue to pay subsidies for fossil fuel use?

Dr Parkinson—It sounds to me like you are asking for an opinion. That would be dangerously close—

Senator MILNE—I will ask the minister then. In terms of climate policy in Australia—and I take it in the context of Sir Nicholas Stern saying that climate change represents the greatest market failure of all time—does it represent market failure in a climate context to be continuing to pay \$9 billion in fossil fuel subsidies whilst saying we are addressing climate change?

Senator Wong—I am not sure where that view comes from, so I am not going to comment on that, if that is all right.

Senator BOB BROWN—It comes from the University of Technology, Sydney, and Professor Diesendorf.

Senator Wong—Sure, Senator Brown; but, in all fairness, I am sure you would not expect me to endorse that figure without getting advice on it. Obviously it is not in my portfolio area. Leaving that aside, I will make two points: first, the thinking behind an ETS, and you have worked in this area for some time, Senator Milne, is to in fact try and get the market signals right when it comes to carbon emissions.

Senator BOB BROWN—What does that mean though?

Senator MILNE—What does that mean in terms of the subsidies?

Senator Wong—In terms of those matters, I am not sure I could comment on the entirety of your suggestion of \$9 billion. I am not sure—

Senator MILNE—Why is the government continuing to pay subsidies for fossil fuel use if the government wants to be a leader in climate change policy?

Mr Comley—I have seen a report of that article and my understanding is that the number he has come to has included, for example, general programs available across all industries apportioned to the coal industry. For example, if that included—and I think it does—the tax concession for research and development, then it is not clear that that is a subsidy per se to the coal industry.

Senator BOB BROWN—Okay, exclude that. Why should the government be subsidising the fossil fuel industry in an age of dangerous climate change?

Mr Comley—I think you are coming to a policy question.

Senator BOB BROWN—That is why I asked the minister.

Senator MILNE—We are.

Mr Comley—There are other policy objectives of most programs, so you have to put those policy objectives against an abatement objective, which is in the climate change sphere.

Senator BOB BROWN—Minister, does the government intend to continue quite massive subsidies to the fossil fuel industry in an age of dangerous climate change?

Senator Wong—First, as I said, I could not comment on the figure that you or the report indicated, because I have not got advice on that. Second, I suspect that most of the issues to which you are referring do not fall within my portfolio. As a general principle—and I am happy to talk about that—we do believe in getting the market signal in relation to carbon, which is why we are introducing the ETS. That is a very significant commitment. The second point, and really this picks up Dr Parkinson's point, whilst I accept that you have a view that you do not wish to see the coal industry continue, our view is that we have to find a solution when it comes to coal. We have to find it both in terms of the structure of the Australian economy and the profile of our power generation. We also need to find it for the globe, because if you look at the additional energy capacity that is predicted in China and India—just to take those two countries—we really need to find a solution when it comes to coal. If we do not, we do not have a solution on climate change. No amount of renewables on the current technology, Senator Milne, as you know, will deal with that additional capacity.

Senator MILNE—In relation to particular subsidies, which are encouraging wastefulness in any kind of economic rationalist way of looking at it: since you are setting overall whole of government policy approach to climate change—since that is a priority of the government—will the government be assessing the quantum of subsidies to the fossil fuel industry? Will you at least be doing an audit of the fossil fuel subsidies across government?

Senator Wong—We have a whole of government approach when it comes to climate change. I would ask that, if you have specific questions on specific subsidies that you want me to respond to, I would take those on notice and ask you to provide them. You are asking a very generic question, Senator Milne.

Senator MILNE—I am asking, as a matter of policy, will you audit the fossil fuel subsidies?

Senator Wong—Government considers each program and expenditure in the context of each budget, to consider whether or not it is best value for taxpayers and best implements government commitments. As Mr Comley pointed out, there are a range of policy measures and a range of policy objectives that governments engage in when they subsidise or provide program funding. I cannot give a generic response on that. If you want me to take on notice in respect of specific issues, please put those on notice, and I will endeavour to respond.

Senator MILNE—I will go to a specific one. The former Howard government promised a substantial sum of money to the FutureGen coal project, being led out of the US. Can you indicate whether your government is going to continue with that, given that the Bush administration has now withdrawn support for that FutureGen project? How much did the Howard government promise, and how much are you going to pay?

Senator Wong—I will have to take that question on notice, because it is in Minister Ferguson's portfolio. I have some information, but I prefer to ensure that it is as up to date as possible.

Senator MILNE—What I am having difficulty with is: if you are running the whole of government policy approach, surely this a policy question?

Senator Wong—We have policy responsibility across government, but—as I would hope the committee is aware—climate change is a whole of government issue. There are a great many programs and a great many measures which either impact on or are impacted by climate change. Not all of those programs are in this portfolio. If you look at the structure of the portfolio, this is primarily a policy-focus portfolio.

Senator MILNE—Precisely.

Senator Wong—Program commitments that might have some relevance to climate change range across most portfolios within government, and I cannot answer detailed questions in relation to program funding across government on every program that may have relevance to climate change. Nor can the officers at the table.

Senator MILNE—I would like to move to something else in relation to—

Senator IAN MACDONALD—Madam Chair, I raise a point of order. I thought we were finishing at 12.30 pm. I have been told now that we are going to quarter to one. I have a plane to catch, based on the 12.30 pm assessment. I have two very quick series of questions to ask.

By any assessment, the Greens and the Democrats have had time at this committee far in excess of their representative capacity in the Senate. I ask that—perhaps for the next 10 minutes—Senator Joyce and I be allowed to ask a couple of questions. I represent two different shadow ministers.

Senator MILNE—Stop wasting time!

Senator IAN MACDONALD—I would like the opportunity to put some questions to the minister. They will be relatively quick.

CHAIR—There was a discussion at the beginning of the day, and an agreement was reached. I am aware that Senator Joyce was the next to get the call. Senator Milne has one final question and then I am handing over to Senator Joyce. Any other questions would have to be put on notice, unless Senator Joyce wants to defer to you, Senator Macdonald. We are finishing at quarter to one.

Senator IAN MACDONALD—I don't know who the arrangement was made with.

CHAIR—It was made with the Deputy Chair, in discussion with other members. That is my ruling. Senator Milne, you have one further question.

Senator MILNE—I understood, Chair, that I had half an hour of questions.

CHAIR—You have had half an hour already, Senator Milne.

Senator MILNE—In relation to the Climate Change Adaptation Research Facility that was awarded to the Griffith University bid, I want to know what the recommendation to the former government was as to which bid ought to be accepted.

Dr Parkinson—Sorry, Senator, we cannot answer that question. That is a matter of advice to the former government.

Senator BOB BROWN—Is this government considering that advice?

Dr Parkinson—This government does not consider the advice that was provided to the former government.

Senator BOB BROWN—Is the government considering that information with a view to reviewing that decision?

Senator MILNE—Can you confirm that the Griffith University bid was not the recommended bid and that former Minister Turnbull scratched out the recommended bid and put in that it must go to the Queensland bid? Is that what happened?

Senator Wong—Under the conventions of our democratic system, the general proposition is that I am not provided with the advice that the department provided previous ministers. I am not sure I can assist you there.

Senator MILNE—The problem is that the people of Australia would like to know.

CHAIR—Questions, Senator Joyce?

Senator JOYCE—I will just let Senator Macdonald ask his four questions on notice.

Senator IAN MACDONALD—Minister, first of all, we indicated before that we required Professor Garnaut—

Senator Wong—I should indicate that I have confirmed that decision, Senator Milne.

Senator MILNE—You have confirmed the decision?

Senator Wong—Yes.

Senator MILNE—That being the case, I am still interested to know what the recommended bid was.

Senator Wong—As I and the officials at the table said, the convention is that I am not provided with the advice that they gave Mr Turnbull.

Senator MILNE—I cannot confirm or otherwise that the former minister changed the recommendation?

CHAIR—Senator Milne, could you please put any further questions on notice. I have given the call to Senator Joyce, who has deferred to Senator Macdonald.

Senator IAN MACDONALD—We indicated that we required Professor Garnaut to be at the next May estimates. Could you make Professor Garnaut available to shadow ministers or members of the opposition who would like to be briefed by him in relation to his report?

Senator Wong—As I have indicated, he is independent. I am sure Dr Parkinson can pass the request on to him.

Senator IAN MACDONALD—I thought he was a member of the staff of Dr Parkinson.

Senator Wong—That is the employment arrangement, but, as a matter of the government's policy approach on this, I certainly do not direct him in relation to his reports.

Senator IAN MACDONALD—No, but Dr Parkinson would. Anyhow, if you can answer these now, well and good; if not, take them on notice. In relation to the proposed emissions trading scheme, which is expected to start just two years away in 2010, how many emission permits does the government expect to issue in 2010? If a precise figure is not available, can you give a rough estimate.

Senator Wong—No, I am not going to take that on notice, because I have been very clear. Those decisions have not yet been made. I would refer you to my previous answers in this hearing about the time line and process in relation to the introduction of the emissions trading scheme. I am not pre-empting that and I cannot.

Senator IAN MACDONALD—Can I finish my questions and you can have the same response. What does Treasury expect the permit price to be? If a precise figure is not available, a rough estimate would do. Will energy—

Senator Wong—My response—

Senator IAN MACDONALD—Can I just finish these?

Senator Wong—Can we do these sequentially? It is very hard for me. My response on that one is the same as the previous one.

Senator IAN MACDONALD—If I can finish, will energy exporters also be required to buy permits? What are the relative benefits and costs of an emissions trading scheme versus a carbon tax?

Senator Wong—My response is as per—

Senator IAN MACDONALD—The last one perhaps you could answer.

Dr Parkinson—The previous government considered that issue in the context of the work that was done by the task group on emissions trading. There is an attachment in that, and I think it is covered in chapter 3 as well.

Senator IAN MACDONALD—That is in relation to the last question?

Dr Parkinson—Yes, in relation to the last question. We are happy to provide that to you if you do not have it, but that is where it is.

Senator IAN MACDONALD—Please do.

Senator MILNE—I just need to ask a question to get a name of who to contact.

Senator Wong—Senator Milne, just in relation to the adaptation facilities—so I am very clear about what my evidence is—I do not see the advice provided to shadow minister Turnbull. I have seen the tender evaluation document and, as I said, I have made a decision to continue in all the circumstances with the decision of the previous government.

Senator MILNE—I understand that.

Senator Wong—Yes, but I wanted to make it clear that I had seen the tender evaluation document.

Senator JOYCE—Minister, do you believe that, at a federal level, you are leading the reduction in carbon emissions? Do you believe that, at a federal level, you are leading from the front in the reduction of carbon emissions? Do you believe that reducing carbon emissions is pre-emptive in what the government wants to do?

Senator Wong—I am not sure what your question means, but I will attempt to be helpful. The government has made it clear that climate change is one of our key priorities. We have a range of very significant election commitments we are proceeding with: the ETS and the renewable energy target, some of which I have discussed today. In terms of government leading by example—which may be the issue to which your question refers—I have already given evidence that we recognise the importance of government taking responsibility. We are currently considering across government, through a whole-of-government approach, how we can best do that. We made a range of commitments prior to the election on those issues.

Senator JOYCE—Do you believe that you are inspiring the policies of carbon emission reduction at the federal level? Do you believe that part of your job is to inspire policies to reduce carbon emission?

Senator Wong—I am not sure what you mean by ‘inspire policies’.

Senator JOYCE—Will you be drafting policies that reduce carbon emissions? Is it the wish of the government to reduce carbon emissions and, therefore, will they be driving the policy agenda to do that?

Senator Wong—Yes, we want to reduce Australia’s emissions over time. The primary policy responsibility across government lies within this portfolio.

Senator JOYCE—The endorsement of the Kyoto protocol has now happened at a federal level, hasn't it?

Senator Wong—The first act of the government was to ratify the protocol.

Senator JOYCE—Do you acknowledge that we have met the Kyoto protocol by reason of a reduction in tree clearing?

Senator Wong—I think I made it clear in the previous hearing that I acknowledge the contribution the agricultural sector has made, whether voluntary or not, through restrictions on land clearing and other matters.

Senator JOYCE—Do you acknowledge that statements were made by the former Treasurer on *The 7.30 Report*—

Senator Wong—I cannot comment on what the former Treasurer said or did not say.

Senator JOYCE—What ramification does the compulsory impediment that now lies on the asset of vegetation have for farmers?

Senator Wong—That is a matter that you should address to the Queensland government, if you are referring to the Queensland land clearing laws.

Senator JOYCE—You acknowledge that there now is definitely a federal overlay in this target, don't you?

Senator Wong—I do not understand that question, Chair.

Senator JOYCE—You understand that the federal government is now leading with its policy requirements in the reduction of carbon emissions. Is it the desire of the Commonwealth government to reduce carbon emissions?

Senator Wong—The Commonwealth government—the Rudd Labor government—has been elected with commitments to put in place policies to reduce Australia's emissions over time; that is correct. I will be frank: your matter may relate to some legal action that I think was commenced under the previous government and I cannot comment on matters that may be the subject of legal action. However, at a general policy level, yes, I think everybody who read our policy commitments would know that we were elected with a commitment to tackling climate change and that includes reduction of emissions.

CHAIR—It is now 12.45 pm. I appreciate the fact that the minister was very generous in giving us more time. I also thank the department and wish it well in its move. There is the opportunity to put any further questions on notice. If there are any questions for the Office of the Renewable Energy Regulator, they will need to go on notice.

Proceedings suspended from 12.45 pm to 1.03 pm

HUMAN SERVICES PORTFOLIO

Consideration resumed from 19 February 2008.

In Attendance

Senator Ludwig, Minister for Human Services

Department of Human Services**Core department****Outcome 1, output 1**

Ms Helen Williams, Secretary
Ms Kerri Hartland, Deputy Secretary
Mr Jeff Popple, Acting Deputy Secretary
Mr Chris Dainer, First Assistant Secretary, Financial Analysis and Corporate
Mr Alex Dolan, First Assistant Secretary, Service Delivery Operations
Ms Jenny Thomson, Acting First Assistant Secretary, Policy and Strategy
Ms Marie Johnson, Chief Technology Architect
Mr Greg Divall, First Assistant Secretary, Program Management
Ms Barbara Flett, First Assistant Secretary, Communication and Stakeholder Engagement
Mr Noel Dobbie, Chief Financial Officer
Ms Kathryn Johnson, General Counsel
Mr Paul Menzies-McVey, Special Counsel, Service Delivery Reform

Child Support Agency**Outcome 1, output 2**

Mr Matt Miller, General Manager
Mr Michael Belcher, Deputy General Manager, Chief Financial Officer, National Finance
Management
Ms Jennifer Cooke, Deputy General Manager, Service Delivery
Mr Patrick Hadley, Deputy General Manager, Chief Information Officer, Information and
Communication Technology
Ms Samantha Palmer, Deputy General Manager, External Relations, People and Assurance
Mr Trevor Sutton, Deputy General Manager, Business Strategy and Innovation

CRS Australia**Outcome 1, output 3**

Ms Margaret Carmody, General Manager
Mr Carl Princehorn, Deputy General Manager, Service Delivery
Mr Peter Hausknecht, Chief Financial Officer

Centrelink**Outcome 1, output 1.1**

Mr Jeff Whalan, Chief Executive Officer
Ms Aurora Andruska, Deputy Chief Executive Officer, Stakeholder Relationships
Ms Carolyn Hogg, Deputy Chief Executive Officer, Customer Service
Mr John Wadeson, Deputy Chief Executive Officer, Information Technology
Mr Darren Box, General Manager, Audit
Dr Margaret Browne, General Manager, Performance Analysis Unit

Mr Paul Conn, General Manager, Business Integrity
Ms Moya Drayton, General Manager, Employment, Disability and Education
Mr Gary Dunn, General Manager, Customer Service Design and Planning
Ms Natalie Howson, General Manager, Families, Seniors, Rural and Community
Mr Hank Jongen, General Manager, Communications
Ms Sheryl Lewin, General Manager, People and Planning
Ms Mandy Ritchie, General Manager, Customer Service Performance
Ms Eija Seittenranta, General Manager, Core Business IT Systems
Ms Helen Skrzeczek, Acting General Manager, Corporate IT Systems
Mr Grant Tidswell, General Manager, Customer Service Operations
Ms Vicki Beath, National Manager, Education and Training
Ms Jennifer Britton, Acting National Manager, Participation and Employment Services
Mr Paul Cowan, National Manager, Seniors, Carers and Means Test
Ms Jo Gaha, National Manager, Indigenous Services
Mr Karel Havlat, National Manager, Budgeting and Management Accounting
Mr Dom Bilbie, Acting National Manager, Legal Services
Mr Trevor Jones, National Manager Contracts and Procurement
Ms Michelle Cornish, National Manager, Centrelink Call Performance
Mr Dennis Mahoney, National Manager, Family and Child Care Services
Mr Graham Maloney, National Manager, Service Delivery Design and Support
Mr Rick Moloney, Acting National Manager, Rural, Community, Business and Supplementary Payments
Ms Elaine Ninham, Acting General Manager, IT Planning and Project Coordination
Ms Pam Saunders, National Manager, Disability Services
Mr Trevor Burgess, Chief Financial Officer
Ms Annabel Ferguson, Business Manager, Online and Deduction Services

Medicare Australia**Outcome 1, output 1.1**

Ms Catherine Argall, Chief Executive Officer
Ms Philippa Godwin, Deputy Chief Executive Officer
Ms Rona Mellor, Deputy Chief Executive Officer
Ms Sheila Bird, General Manager, Medicare and Associate Government Program
Mr Colin Bridge, General Manager, Program Review
Ms Ellen Dunne, General Manager, Public and Provider Services
Mr Graham Gathercole, Acting General Manager, Information Technology Services
Ms Linda Holub, General Manager, Program Management Division
Mr Anthony Honeyman, General Manager, Health Division
Mr Mark Jackson, General Manager, Business Solutions and Operations
Mr David Trabinger, General Manager, Business Futures
Ms Lynne O'Brien, Chief Finance Officer

Australian Hearing

Ms Anthea Green, Managing Director
Mr Steve Grundy, Chief Operating Officer
Ms Margaret Dewberry, Executive Manager, Indigenous and Multicultural Services

Health Services Australia

Mr Stan Macionis, Chief Operating Officer

Mr Peter Moody, Chief Financial Officer

Mr Bob West, Chief Corporate Affairs

CHAIR—Good afternoon and welcome. We go into general questions for the Department of Human Services.

Senator COONAN—Thank you very much, Chair, and good afternoon to the minister and all those at the table. Just so you are clear where I am going, because of the constraints on time, and I know that some of my colleagues also want to ask some questions, I have got a few topics that I will be concentrating on and it may necessitate some people coming to the table independently of the particular agency. I hope that will not be inconvenient for you. I will have a large number of questions that I will need to put on notice because of the way in which these estimates have gone and the constraints on time. I just wanted to apologise if I appear to be diving in and out a bit with people needing to come to the table.

I just wanted to deal specifically to start please with the access card and Labor's decision to abolish the access card. I ask the minister, when was that decision taken?

Senator Ludwig—It was an election commitment.

Senator COONAN—It was announced as something that was deferred, I understood, and then it got into the Charter of Budget Honesty. In the summary of Labor's savings it was 'defer access card for further examination at a cost of \$302 million'. That was across the forward estimates.

Senator Ludwig—Yes, they were then produced as part of the Charter of Budget Honesty.

Senator COONAN—So it morphed from deferring for further examination to complete abolition?

Senator Ludwig—It was an election commitment.

Senator COONAN—But it went from Labor's position of deferring for further examination to total abolition.

Senator Ludwig—Are you referring to what Ms Gillard said at the time?

Senator COONAN—There is a summary of Labor's savings and a list of savings that was published I think in August. That said that it would defer the access card for further examination across the forward estimates for a cost of \$302 million. That was an announcement by Mr Tanner. Then, in the Charter of Budget Honesty, it became the abolition. So something happened in between. What was that?

Senator Ludwig—The need for saving. We needed to bring downward pressure on inflation, which you have left us with—high inflation. It was to ensure that we could bring downward pressure on inflation and also, as a consequence, we tried to ensure that we could put as much downward pressure on interest rates as well.

Senator COONAN—It was really for the purpose of achieving savings and not for any other consideration. Is that right?

Senator Ludwig—The election commitment was to utilise the savings out of the access card for Education Revolution and health. In other words, to provide savings.

Senator COONAN—In other words, the objectives of the access card have gone by the board in favour of other priorities such as education. Is that right?

Senator Ludwig—That was the election commitment.

Senator COONAN—But it is correct, isn't it, that the objectives that the access card was designed to achieve have gone by the board in favour of other spending priorities?

Senator Ludwig—To put it another way, we are not pursuing the access card.

Senator COONAN—As a consequence, it must necessarily flow from that decision that the Labor Party does not put the same priority on the objectives that the access card was intended to achieve as it does on other priorities.

Senator Ludwig—That also assumes that the access card was going to achieve the priorities that you might say it was supposed to achieve. I think that is in contention.

Senator COONAN—That is interesting, isn't it? Does the Labor Party, as a matter of interest, support a common identifier?

Senator Ludwig—In respect of what?

Senator COONAN—In respect of some common access identifier, a card that has some information that can be on it that can be used for common purposes with other agencies?

Senator Ludwig—It is a question of whether you are asking DHS, myself as Minister for the Department of Human Services, or if you are asking the Labor Party. If you are asking the Labor Party, you might need to direct your questions elsewhere. But in respect of—

Senator COONAN—I am asking you are. You are the minister—

Senator Ludwig—I have not finished answering the question. In respect of pursuing the issue around the access card, as I have indicated, we are not going to pursue the access card. In terms of the outcomes from the access card, cancelling the access card was, as I indicated, the key Labor election commitment, and the one that we flagged during the election. It is necessary to rein in government expenditure to keep downward pressure on inflation and interest rates, as I said earlier. Cancellation of the access card alone will provide, and has provided, a very substantial part of the savings identified as necessary to keep downward pressure on inflation. It was already falling behind schedule, if you recall, and would most likely have blown out both in time and costs. If you recall, the decision was not being progressed for some time and the billion dollars was never going to solve the problem of fraud.

Senator COONAN—Do you support the use of an identifying card—an identifying card; it does not have to be the access card—that would improve delivery of benefits and services, make it easier to deal with government agencies and reduce fraud and replace a large number of cards that are inefficient?

Senator Ludwig—What I support are mechanisms to ensure that we do have compliance programs in place.

Senator COONAN—Do you support a smart card?

Senator Ludwig—We have fraud compliance programs in place—that is what I support. You can do that by new systems of fraud prevention, data matching and data detection.

Senator COONAN—Data mining?

Senator Ludwig—You could encourage data mining, yes—that is one of the issues that will be utilised, of course.

Senator COONAN—You do not support a smart card?

Senator Ludwig—Are you talking about an ID card, an access card, or a smart card?

Senator COONAN—I am talking about a smart card.

Senator Ludwig—Whether I support one or not? In what sense—where the Department of Human Services considers that we could utilise a smart card?

Senator COONAN—The thing is that the Department of Human Services—up until 24 November—were in vociferous support of the objectives of an access card, which were to improve the delivery of benefits and services, make it easier to deal with the relevant government agencies, reduce fraud and replace a multiplicity of cards—in the order of 17, and particularly the Medicare card—with at least a form of a smart card, which is what the access card was. It went a bit further, admittedly, but those objectives were all going to be designed to be achieved with a smart card. You must surely admit that it is good technology to try to have something modern and efficient and to streamline the delivery of services. That is what we are here for.

Senator Ludwig—Everybody could agree with that broad comment—it is good to have a motherhood statement like that—but for what purpose are you saying we would support a smart card?

Senator COONAN—Do you have anything under consideration in substitution for the abandoned access card and its objectives?

Senator Ludwig—Those matters are under active consideration because the Prime Minister has designated the payment system of the Human Services portfolio as—I think he said this—a major area of Australian government reform, in particular highlighting savings that could be achieved through greater efficiencies. To the extent that that is what I am tasked with, those matters, including fraud, compliance and a whole range of matters that would fall within that, are under active consideration.

Senator COONAN—And rightly so, because you know, as the minister in charge of this delivery system, that you are going to have a lot of problems unless there is some more streamlined way of dealing with 17 different cards and some very ancient technology.

Senator Ludwig—You keep referring to cards, but it is the systems, the processes—

Senator COONAN—It is part of the system.

Senator Ludwig—To that extent the card is, but it is the use the card is put to, it is how the card is utilised, it is the form the card may take. As the previous government seemed to have been concentrating on a card, the issue is proof of identity, how you establish that, whether—

if you put it in a framework—the right person gets the right payment at the right time. All of those matters do not hinge on the card. They hinge on the systems that you put in place.

Senator COONAN—Yes, but you can have lots of different systems that put that in place that are very inefficient and costly. What we had under design, and had a considerable amount spent on, was a system that would have designed and delivered just that.

Senator Ludwig—I think that is a contentious issue. I am not sure that I agree with it. In fact, I reject it. It looked like it was already slowing down, quite frankly, and it looked like an ID card rather than what it started as.

Senator COONAN—The ALP senators supported the aims behind the access card and I am just asking whether you, as minister, also support the aims behind the access card.

Senator Ludwig—We have not pursued the access card. If you are talking about the issues which go to data matching, data sharing and data coordination—all of those matters that can be improved—they are all under active consideration.

Senator COONAN—You can tell me about those in due course. I just want to get to the savings that have been claimed in respect of axing this card. You said in answer to a dorothy dixer from Senator Polley that you noted the savings under the Charter of Budget Honesty are estimated at \$1,149 million and you have identified an additional \$29 million in savings for 2007-08, bringing the total to \$1,178 million. In the Charter of Budget Honesty there appears to be a slightly different figure—unless I am misreading it—which looked to be \$1,148 million over the forward estimates.

Ms Hartland—The access card program had a total budget of \$1,317.9 million and savings of \$1,162 million were handed back.

Senator COONAN—Perhaps I could ask the minister what the figure \$1,148 million refers to in the Charter of Budget Honesty over the forward estimates.

Ms Hartland—It would be a difference between talking about the total period, which goes out beyond the forward estimates period, versus the forward estimates period itself.

Senator COONAN—Can somebody clarify that?

Mr Dainer—If you like, I will just run through it. There was five years worth of estimates for the access card. It was rephased in previous estimates processes. As Ms Hartland mentioned, the total was \$1,317.9 million over those five years of which \$1,089.9 million was for implementation, \$12.1 million for merit and review appeals and \$215.9 million for ongoing funding which came in during the last year of the project. Against that \$1,317.9 million, savings of \$1,162 million were identified, and that was made up of the original \$1,148 million plus a net of \$29 million in further savings which were identified this financial year out of the department's appropriations for the access card.

Ms Williams—Senator Coonan, that was identified later when we had a look at the entire saving and what could be handed back.

Senator COONAN—Yes, that might be a better way to do it because obviously I want to get to some sort of net position, if that is possible. I am sure you have come quite prepared but I do appreciate that it might be necessary for us to get something down on notice so that we

capture what we want. These are not meant to be trick questions, I promise you. It is just that I want to get a clear view about what has been spent, what has been returned and where we are at. I could not quite get it from the minister's answer.

Senator Ludwig—We can provide that again on notice if you want, Senator.

Senator COONAN—That deals with the savings. The design and build of this access card was very well advanced. I want to deal with three main areas: first of all, the costs so far; secondly, I want to deal with the process for winding up the project—that deals with property, staff and whatever; and, thirdly, I want to deal with what I would regard as the gaps left in forward prudence and coordination of delivery of services that the access card was designed to address. That gives you an idea of where I am going. Could we please start with what this thing has cost the Australian taxpayer for apparently no benefit?

Ms Hartland—The total expenditure of the access card to 31 December was \$116 million. We expect that there is still expenditure of probably around \$25 million in relation to staff contractual exit costs. I think that answers your first question in terms of cost.

Senator COONAN—What is the breakdown of that?

Ms Hartland—In terms of staffing costs, contractual costs, I think I might have to take that on notice.

Senator COONAN—Can you deal with what has happened to the property. Due to increasing staff numbers in the dedicated office, the Office of Access Card, the department had relocated from the Burns Centre in Forrest into additional space in the Computer Associates House in Barton.

Ms Hartland—As the program has been wound down and the staff numbers have reduced, that property is gradually being rationalised, with a view to vacating those premises.

Senator COONAN—What are the contractual arrangements in respect of it? It was \$720,000 for 2,000 square metres of space on the ground and first floors. Is that where it ended up?

Mr Dainer—The lease on CA House had a couple more years to run. We are currently talking to some agents about terminating the lease on that building and exiting it by 30 June.

Senator COONAN—If you exit by 30 June, are you proposing to pay out the lease?

Mr Dainer—That would be the least preferred position. We have had some interest from other parties, both within government and external to government. That is what we are pursuing. We have a couple of years contractual commitment, but, at the end of the day, if we cannot get someone else to take over the lease, we will have to pay it out. We are confident that we can terminate the lease and have someone take over the lease commitment.

Senator COONAN—What potential cost would you incur if you have your least favoured position?

Mr Dainer—A bit less than \$2 million.

Senator COONAN—Yes. Does that mean that the department is then in one building, or are you still over two?

Ms Williams—We will be in one.

Senator COONAN—You have been located in Computer Associates House and the Canberra Avenue property. Where will you end up?

Ms Williams—In the Canberra Avenue property.

Senator COONAN—So will there be a relocation or consolidation component as well—the cost of getting you all back under one roof?

Ms Williams—There is a cost of moving, but netting off keeping two buildings, it is obviously the better course.

Senator COONAN—Do you have any idea of what that cost will be: of winding down the access office, in terms of property?

Mr Dainer—There will be minimum costs just in terms of relocating people. I do not have an estimate for that.

Senator COONAN—The main contingent or possible liability is if you need to honour the contractual obligations under the lease, and nobody is prepared to take it over.

Mr Dainer—That is right.

Senator COONAN—Is it a monthly rental or an annual rental under that lease?

Mr Dainer—We pay monthly.

Senator COONAN—What is the monthly amount?

Mr Dainer—About \$75,000.

Senator COONAN—So, at the moment, taxpayers are paying out \$75,000 for accommodation that is not being used for any useful purpose up until the 30 June?

Mr Dainer—No. It is occupied by people who were working on the access card and who are now working on service delivery reform activity.

Senator COONAN—What reform activity are they working on?

Senator Ludwig—Those matters are under active consideration.

Senator COONAN—I can ask what. These are people who are working on the operations of the department, on something. What is it?

Ms Williams—Most of it is budget related. Very broadly, we are looking at ways to combat fraud and non-compliance. We are looking at ways to increase proof of identity. There is a whole range of issues there. We have expertise which was collected from the access card which we are just taking further.

Senator COONAN—How many people are working on what there? What specifically?

Ms Williams—We would have to get you how many people are still in CA House; we have been moving them progressively. As you know, we have to downsize, so increasingly CA House will not be necessary, so we have been moving. The bulk of the people are in Canberra Avenue.

Senator COONAN—As of today, 24 February 2008—how time flies—how many people would you have still in the office of access card?

Ms Williams—In CA House, I understand we still have 40 people there.

CHAIR—Could everyone turn off their mobiles, please.

Senator COONAN—I am not at all clear, of those 40 people, who is doing what. I will tell you why I am not, because the evidence that we started the other day indicated that, not unreasonably, these people are being wound down and jobs are trying to be found for them.

Ms Williams—The reason it is difficult to give you a quick and easy answer is because, as I mentioned before, we have them working across the department because we have a very heavy workload. For example, some are working with the budget people.

Senator COONAN—How many are working with the budget people?

Ms Williams—I could not give you an answer off the top of my head. We can sort that out. I am told five.

Senator COONAN—That is five out of 40. What about the rest?

Ms Williams—I would have to come back to you. We have them working in groups across the department. We have a lot of work on.

Senator COONAN—What other areas, so we might be able to find out where they all are.

Ms Hartland—A number of those people are still winding down processes to do with the access card as well to ensure that there is an orderly wind-down of matters such as procurement processes, managing ends of contracts and those sorts of things. There is still a group of people that are doing that work. Again, I cannot give you exact numbers off the top of my head.

Ms Williams—Sorry, Senator, I missed what you said. I am told that you think that 40 might still be working on access card. They are certainly not.

Senator COONAN—They are still in the office of access card.

Ms Williams—They are still in the building.

Senator COONAN—We have got some then working on winding down the contracts and turning out the lights. Do you think that might account for the other 35, or do you think they would be doing other things?

Ms Williams—I am sure there are others doing other things. If we have an issue in the media area they are working there. But we have also got some of the people who were previously working in the Office of Access Card actually working in the other agencies in the portfolio, partly to see if that is a good fit for them down the track.

Senator COONAN—What other agency?

Ms Williams—I stand corrected but I think we have some in the Child Support Agency, some in Centrelink and perhaps some in Medicare.

Ms Hartland—Certainly a number of the communications people who were working on access card are seconded to Medicare at the moment.

Senator COONAN—Could we get some handle on where they all are and who they all are—I do not mean their names—just so we know?

Ms Williams—Yes. We will come back to you.

Senator COONAN—Just coming down to the winding down of procurement, where are we up to with that? Could somebody could help me with these myriad contracts? On the last information I had, we had something like 27 active contracts related to the access card.

Ms Hartland—Maybe I could also answer a question that you asked of me on Tuesday evening on this, when you asked about the date we were looking at with staff numbers and things. As at the end of December, there were not any contractors or consultants on the premises. I think you had asked a question around that, so I will just take the opportunity to answer that one. At the time of the closure of the access card there were 12 contractors and consultants that were providing services to the access card program. There were three contractors providing services on site at that stage and they finished up on 30 November. A group of other contractors and consultants then finished up on 6 December, to lead us to a point that we have no contractors and consultants on board now. The final payments for work related to the access card program undertaken by contractors and consultants we expect to be completed by the end of this month. That is just some tidying up of some of the outstanding invoices, with the exception of doing some ongoing work in providing feedback or debriefing to the tenderers.

Senator COONAN—I understand that most of these were, as you would expect, on some sort of standing arrangement or standing contracts—were they?

Ms Hartland—It was almost like a head of agreement and then we had purchase orders underneath that could be turned off at any stage. It was basically a payment for work received, and when we said, ‘Okay, there’s no more work to be done,’ that set a finish line on that.

Senator COONAN—What was the total payment for contractors over the life of the access card?

Ms Hartland—Up to 31 December, a total of \$48.264 million had been spent on contracted access card activities. That forms part of that number that I gave you before, of that 116. I guess that is partly answering your question about that breakdown.

Senator COONAN—Does the \$116 million include the cost to participating agencies?

Ms Hartland—Yes, it does.

Senator COONAN—So it is a total figure?

Ms Hartland—That is correct.

Senator COONAN—Can you just remind me of the participating agencies in the access card?

Ms Hartland—They were Centrelink, Medicare, the Department of Veterans’ Affairs, what was then FaCSIA, CRS and the Child Support Agency. I think that covers it.

Senator COONAN—What was the role of AGD?

Ms Hartland—They were not a specific participating agency, but we obviously work closely with AGD in a number of capacities in terms of development of legislation and across a range of issues—a range of privacy issues and other things.

Senator FIERRAVANTI-WELLS—I was part of the inquiry into the access card at that time. If my recollection serves me, we were told that there was a connection with both the Attorney-General's Department and the AFP, for obvious reasons, particularly in relation to fraud issues, where they had some quite active role on a consultative basis. I understood that you were doing some consultation with various departments as well, so that was not met out of your budget—it was met, obviously out of their own budgets and the work that they did.

Ms Hartland—Yes, that is correct. That was just, as you say, a normal consultative process that we were running. We did that with a large range of departments.

Ms Williams—I should add that there was a committee of secretaries overseeing this and a committee of deputy secretaries, so it was a very consultative process.

Senator COONAN—I will go a little bit further on the orderly winding up of this exercise. Minister, do you think there have been some expertise and skills that have been deployed in relation to the access card?

Senator Ludwig—I did have a look at that, and in fact I can get the department to outline the leveraging of the investments already made to progress service delivery reform. If you can look at the skills the access card people had and all of those that related to the work they were doing, I can get the department to outline the benefits.

Senator COONAN—Yes, I would like that. Thank you. I really do want to know how this is going to net out.

Ms Hartland—There are a number of areas of specific expertise that were gained through that process that certainly will not be lost and that are applied to a range of activities, both now and into the future. I might just go through an outline of those. They are in the areas of program management, architecture and design. There was certainly a lot of work done on standards.

Senator COONAN—Rather than giving me a list, could you tell me what it means. Program management?

Ms Hartland—I was going to go through that and then step into it a little bit more deeply. It includes interoperability and data standards, business process modelling and development, proof of identity, the financial services industry, technology capabilities, business intelligence and work around tendering processes. To be a bit more specific around some of those, the access card process involved a lot of detailed work around business requirements—for example, in looking deeply across the range of agencies and mapping those. From memory, there were something like 180 business processes mapped—I am just looking at the experts here to check that. So there were about 180 business processes mapped to provide what I would call a deep understanding of agency capabilities and, with that, through undertaking the tender process work, to be able to look at the industry capabilities as well. So it was to get a much better picture of what was there and what could be delivered and then to fill those gaps. Certainly there was development of—

Senator COONAN—What gaps?

Ms Hartland—In looking forward, in looking at things like better data exchange, about common standards—

Senator COONAN—So are there gaps in data exchange?

Ms Hartland—There can always be improvements made in terms of—

Senator COONAN—Absolutely.

Ms Hartland—standardising and things like that, so in standardising, for example—

Senator COONAN—What is not standardised already?

Ms Hartland—There are areas, for example, in terms of address and name information where there are not common standards in place. That is not just with these agencies. That goes right throughout agencies across Australia.

Senator COONAN—So the access card was designed to address this and currently it is not addressed, as in standardised across the department?

Ms Hartland—Yes, and we are providing advice to the government on that now.

Senator FIERRAVANTI-WELLS—Just on this point, what I am interested in is this. During that inquiry the department set out clearly its requirements and its parameters. At the time of that inquiry it was very clear that there were gaps particularly in terms of data matching and the way that different departments spoke to each other. I will not repeat the evidence but suffice to say that some of you here today were probably a part of that inquiry. The concern I have, following on the questions that Senator Coonan is asking, is that a year ago you posed to the Senate a series of problems which the access card was designed to rectify. I would think that those issues are still relevant today. The question that I have now is in broader terms, and perhaps I will put some more detailed questions on notice, and is particularly about data matching, proof of identity and fraud in the Commonwealth, because that was one of the main issues to do with the access card. How are you going to rectify all this now that you are no longer going to pursue an access card? What measures have you implemented or do you propose to implement to rectify the sorts of problems that you so cogently put before the Senate a year ago as real problems, which is what the access card was designed to overcome?

Ms Hartland—We have been going through some of those learnings that have been gained through those processes. What we are now in the process of doing is advising the government on those aspects, where some of those issues are and the ways by which they might be rectified. So we are in the process of providing that sort of advice to the government.

Senator COONAN—We had 180 business processes. We have got gaps. We have looked at industry capability. We have got some gaps in service delivery, standards and identity, as I think we said.

Ms Hartland—One of the other areas is looking at—and I think we probably just touched on this—the development of common cross-agency data models. Also there are the sorts of technical specifications in relation to online transactions, which is obviously an area that still continues to be relevant. We have probably touched on most of them. As for some of that

work I mentioned in terms of standards, we will continue to work with other agencies in relation to international standards in these areas as well. A lot of these problems are not just issues of a localised nature. That is the range of issues at a broad level.

Senator COONAN—Perhaps this is a question for the minister. Is it intended that the savings from the axing of the office of the access card and of the access card itself be hypothecated in some way back into solving these problems?

Senator Ludwig—The answer to your question is actually in the portfolio additional estimates—they have been returned to budget.

Senator COONAN—I know that they have been returned to budget, but are you intending that we go to specifically addressing this particular problem because you have returned a billion dollars to the budget, or not?

Senator Ludwig—That forms part of the budget discussions.

Senator COONAN—You said that you would be funnelling the billion dollars allocated to the access card into other fraud prevention measures. What did you mean by that?

Senator Ludwig—It is returned to budget.

Senator COONAN—You said in an interview that you would now be funnelling the billion dollars allocated to the access card into the other fraud prevention measures. I just wondered what you meant.

Senator Ludwig—Perhaps you will provide a copy of the interview.

Senator COONAN—It is an interview with Rhianna King, and attributed to you was that that is what you intended to do, also, to the education revolution. Is there some—

Senator Ludwig—That is why I want to actually have a look at the interview you are referring to. Was it a direct quote? What I said was that it would be returned to budget.

Senator COONAN—So you will not be funnelling a billion dollars into fraud prevention measures and the education revolution? You have been misunderstood or misinterpreted—is that right?

Senator Ludwig—In respect of the access card, it was a Labor commitment to return that to budget and that money has been returned to budget. In terms of the expenditure on fraud and fraud compliance, they are matters for the budget.

Senator COONAN—I am just wondering whether or not you have been misinterpreted here when you said that you would be funnelling some money into other fraud prevention measures.

Senator Ludwig—My recollection is what I have said in the past in respect of that: I would return it to budget so that it would be available for matters like the education revolution.

Senator COONAN—But not fraud prevention measures? You were misquoted or misunderstood in that respect.

Senator Ludwig—I have not seen the full transcript of the interview that you have before you. But I have said what I have said today. As to matters that may go to fraud and fraud

compliance in respect of the Department of Human Services, those matters are budget related matters and I am not going to outline those here.

Senator COONAN—This really bothers me, Minister, because you are also directly quoted here in the same interview talking about considerable expertise and skills—well, we have talked about that. This is the direct quote is: ‘We are aware of the considerable expertise and unique skills gained during the course of the project especially regarding measures to combat fraud and improve the efficiency of services. I am keen to see these gains are not lost.’

Senator Ludwig—That is in respect of the skill sets which we have now been talking about—that is, the leveraging of investments already made to progress service delivery reform. You have been taken through matters such as program management, architecture design, international technology standards and data standards, business process, proof of identity—all of those matters—

Senator COONAN—Yes, I have got the list. You also said that you would be looking at measures to combat identity fraud. What are they?

Senator LUDWIG—There are under active consideration and they are matters that will be budget related. I am not going to go through the specifics of each one of those.

Senator COONAN—I do not want to know what is in the budget. I want to know what the areas of fraud are—or maybe I should be asking the department—and where the gaps are that you consider left from abandoning the access card.

Ms Williams—The sort of work that we are doing in fraud and compliance really crosses all the human services agencies. There has been a considerable amount of work already done in this area, but we are not happy that it is by any means complete. We are working in prevention and in actually fining down exactly how it happens and where. But in every system you will get fraud, and fraud, as you know, develops as things change. We have an ongoing role to do that. Our work in the fraud area crosses all kinds of issues. It crosses work on proof of identity; it crosses data matching, as the minister has already mentioned; it crosses identity checks, data analysis—even tip-off investigations. There are a whole range of issues that we are working on with the agencies and, in fact, with other departments.

Senator COONAN—Going back to previous estimates, there were 17 fraud and compliance measures announced in the 2006-07 budget with savings projected over five years. That is still on track, I suppose. How does the abandoning of the Access Card gel with the package of fraud and compliance measures that are currently being implemented?

Ms Williams—Those sorts of compliance measures were on a track of their own.

Senator Ludwig—And they continue on.

Senator COONAN—They were to do with improving cross-agency activities; is that right?

Ms Williams—Yes.

Senator COONAN—Enhanced focus on serious social security fraud: was that another one?

Ms Williams—Yes. You have probably got the list of measures there.

Senator COONAN—I have. It was a package of initiatives designed to detect and reduce social security fraud to minimise incorrect payments, improve compliance with systems, and identify new and emerging risks; is that right?

Ms Williams—Yes.

Senator COONAN—The package included seven measures. I just mentioned two. The third addressed risks in payments to income recipients who reside abroad, and we know that there was a measure to deal with that. Addressing undeclared unearned income: that was a pilot; what happened to that?

Mr Popple—In the last budget there were 18 fraud and compliance measures: 13 new measures and five lapsing measures. They had net saves of around \$270 million over three years. None of the measures was premised on the basis of the Access Card.

Senator COONAN—I understand that. I am on a different topic.

Mr Popple—Okay. As you rightly point out, they were aimed at a whole range of other, different things. All those measures are under active implementation on separate time frames. We can provide information on notice on where each of those measures is up to if you wish; they are all still actively proceeding. As you pointed out earlier, some of them do not have actual saves until future financial years; others have got saves during this financial year.

Senator COONAN—I understand all of that. I am just trying to work out what additional issues the Access Card was going to deal with that are not dealt with in this particular list.

Senator Ludwig—Perhaps I might just ask for a clarification. Seeing as the Access Card was not completed, what are the matters you are identifying? If the access card was not completed or put in place then I am not sure how you would identify what is missing—if you get the point I am making.

Senator COONAN—I do get your point and it is a fair point. But what we have been told this morning is that in trying to leverage and, if you like, mine the expertise out of the Access Card there is some ongoing work being done about gaps. Because I do not have the information and obviously witnesses at the table do, I am just trying to establish where the gaps are if they are not identified in this list and what additional matters there might be. I think you talked about, for example, data matching, data mining and various other things.

Senator Ludwig—I was just keen to ensure that you were not saying that that could impact upon these measures, in terms of the Access Card. These are separate measures.

Senator COONAN—No, I understand. Somewhere or other we have been told that there are some gaps in the delivery systems in matching fraud and compliance across agencies. I am just trying to look at what we have already got so I can then move to what we have not got.

Senator Ludwig—Having that explained is helpful for the department's understanding. I think there was a little confusion between the Access Card and the fraud and compliance measures. We can turn to fraud and compliance measures.

Senator COONAN—Once again, it is not meant to be any kind of trick question. It is very complex; I appreciate that. You now know what I am trying to get at. We had these measures

in the 2006-07 budget and they are tracking. I am interested to know what we have not got—where we need to be concentrating if these are all tracking well.

Mr Popple—The budget measures—the fraud and compliance measures from last budget and from previous budgets as well, and ongoing fraud and compliance in the agencies—address the whole range of risks, be it identity fraud, be it undeclared income or be it failure to disclose personal circumstances. The access card may have assisted with some of that in the future, but there are other mechanisms in place at present to address that range of risks. In the fraud and compliance strategies that each of the agencies have to address in their particular programs, they cover that whole range of risks. What the access card may have done in the future is provide an alternative way of dealing with it. I would not want you to think that we were not dealing with identity fraud, marriage type relationships or what have you.

Senator FIERRAVANTI-WELLS—With respect, I sat and listened to all the evidence that was given during the access card hearing and I was a Commonwealth government lawyer for 20 years, so I come to this debate with that background. The department set out very cogently a whole series of problems that they believed were going to be rectified by the access card. I hear what you say now—perhaps trying to downplay the issues—but they were very alive and well when you were proposing, advocating and supporting the access card. I think the questions that Senator Coonan raised are very fair ones because you cannot come to the Senate and say, ‘We have a whole series of problems which we believe this card will resolve,’ and then go back months later and say, ‘No, what we were doing in the first place was going to rectify some of the problems,’ because that is in effect what you are saying. I take you back to that evidence. You did set out some very important problems, and the questions that the minister is asking are very valid. You cannot just dismiss those sort of problems like that.

Ms Hartland—In terms of the work that had been done to the point in time with the access card—and as I pointed out there is obviously a body of work there where there is a whole group of learnings from that and a better understanding of systems and, indeed, where there may be gaps—now we are in a process of having a look knowing much more now than we knew I guess 18 months ago. We are able to look at that information, to look at other things that are actually being done in this space and to then provide some advice to the government about where there might be measures that are needed—

Senator FIERRAVANTI-WELLS—Policy measures to rectify the problems that you put forward at that time.

Ms Hartland—Yes.

Senator FIERRAVANTI-WELLS—What additional measures are you going to put into place?

Ms Hartland—That is what we are in the process of advising government about.

Senator FIERRAVANTI-WELLS—So we will get something that is an access card that is not called an access card.

Ms Hartland—As I said, there are a lot of different ways that problems can be addressed.

Senator Ludwig—You will not get a magic ID card. But one of the areas that you raise which I think is pertinent is that the actual business case for the access card was cabinet-in-confidence. So I do not have it, clearly. There are others around this table who may have seen the business case. It certainly, as I understand it, was a matter that was put through the cabinet in the previous government, which might have assisted in being able to answer some of the questions that you raise in respect of the access card itself. But it is not available to me.

Senator FIERRAVANTI-WELLS—It was just evidence that was given before the Senate. Anyway, I will leave it at that point.

Senator COONAN—With the fraud and compliance measures that I asked about, one was the use of data mining as a predictive and risk identification method pilot. It appears there is a tender on data mining that is not proceeding: data mining software, the provision of data mining software for text mining and trend analysis for fraud and compliance, seems to have been withdrawn. Is that right?

Ms Thompson—That particular measure that went forward within the budget was for funding for two years to conduct a pilot. That pilot is still underway and we will be providing advice to government. In terms of a tender, I am not quite sure what you are actually referring to. There was not a tender as part of that process. We were using data that was already available within the agencies to see if there was benefit in exploring the purchase of additional data mining technology for government.

Senator COONAN—What I was referring to is the 2007-08 annual procurement plan for Centrelink. There is an item at 2.11 called data mining software that was due to be conducted in January to March this year, and it just says ‘withdrawn’.

Senator Ludwig—We might need to get someone from Centrelink to the table to be able to provide some information in respect of that.

CHAIR—We are due to move on to Centrelink.

Senator Ludwig—The alternative is, do you want to hold that question for Centrelink when they are here?

Senator COONAN—Yes, except that this is a very general question. I am very pleased to hear that it is still on track, because it would be critical, would it not, for detecting incorrect payments and particularly those associated with income and assets. I am very interested to know why it seems that software to deliver that has not been proceeded with, or the tender for it. There may be an explanation.

CHAIR—Any further questions under general questions or going through output 1, 2 and 3 will now have to be put on notice and we will move into Centrelink.

[2.01 pm]

Centrelink

Senator WATSON—How much did Centrelink spend on its recruitment of call centre staff to fill the 150 jobs at Centrelink’s Launceston office?

Mr Whalan—We will have to take it on notice.

Senator WATSON—On what date did Centrelink commence advertising for the positions?

Mr Whalan—24 October 2007.

Senator WATSON—How many advertisements were placed?

Mr Whalan—There were advertisements placed on the Centrelink website, in the *Public Service Gazette* and in the local and major newspapers.

Senator WATSON—What were the mediums used? Could you repeat that?

Mr Whalan—The Centrelink website, the *Public Service Gazette*, which is also available electronically, and the local and major newspapers.

Senator WATSON—What were the dates of the advertisements?

Mr Whalan—24 October 2007 was the Centrelink website, 25 October 2007 was the *Public Service Gazette*, 27 October 2007 was the commencement of the advertising in the local and major newspapers and that went through until 10 November 2007.

Senator WATSON—What was the total cost of the advertisements?

Mr Whalan—I will take that one on notice.

Senator WATSON—Can you provide a breakdown of the cost, medium by medium, that you selected and how much it cost for the various areas? How many job applications were received?

Mr Whalan—Approximately 800.

Senator WATSON—How many interviews were conducted?

Mr Whalan—Following the receipt of those applications, 364 people received a telephone interview. Following that, 300 of those people proceeded to face-to-face group interviews. Following that, 97 people proceeded to the final interviews.

Senator WATSON—When did each of those interviews start? Can you give a date of each of those categories?

Mr Whalan—We would need to take that on notice.

Senator WATSON—What funds were made available by the government of the day for the decision that was made by John Howard? There was some appropriation of moneys, or what was the nature of the finances?

Mr Whalan—There was no appropriation or funding provided for Launceston call.

Senator WATSON—So how was it going to be financed?

Mr Whalan—Centrelink is funded through a range of mechanisms and as CEO of Centrelink I make decisions about the number and distribution of staff within the funding that is provided. I made a judgement about what staff ought be recruited in each location, including the judgement that we ought seek to recruit additional staff in Launceston.

Senator WATSON—Yes.

Senator COONAN—Can I just interrupt because it is convenient there. Just to be clear about that, Mr Whalan, and you are quite correct that in the policy decisions taken since the 07-08 budget there is an item for further call centre supplementation for Centrelink in which it is noted that the government will provide an additional \$5 million to ensure Centrelink is

better able to meet peaks in demand et cetera and funding will be provided through policy departments for call centre services to be delivered by Centrelink with the majority of the funding to go to the Department of Families, Community Services and Indigenous Affairs. Then it says the measure continues in the 04-05 budget measure—Centrelink call centre supplementation—which provided funding of \$67.4 million over three years and was expanded in the 06-07 budget with an additional \$115 million over two years. That is correct, isn't it?

Mr Whalan—That is correct, Senator.

Senator WATSON—Did the Prime Minister of the day actually promise or set aside funding—how was that conveyed to Centrelink in terms of the funding of those jobs? You went ahead to fill those jobs, but what was the basis of your funding to do that?

Mr Whalan—There are a series of streams of funding that Centrelink receives. It receives core infrastructure funding and variable funding in each year's budget. There are a range of new policy measures that come out in each budget. In addition to that, in the call space, as Senator Coonan has mentioned, some specific funding in respect of call—that funding was about maintaining and improving the level of responsiveness in the call channel. In any year there are also a number of changes. In recent years reductions that have been occurring as a result of customer numbers—I need to take account of all of those in making a judgement about staffing numbers.

Senator WATSON—When the Prime Minister who issued a press release on 13 July 2007 said, 'I am pleased to announce that the Australian government will expand its Centrelink staffing numbers in Launceston call centre operation by an estimated 150 full time equivalent employees', he made that statement in the light that it would come from existing budgets or some of these other lines of funding or—

Mr Whalan—He would have made that statement on the basis that I had advised that I thought that was a good thing to do, to proceed—

Senator WATSON—So you advised that the call centre in Launceston was a good thing to do?

Mr Whalan—Yes.

Senator WATSON—Okay.

Senator COONAN—Can I just interrupt, Senator—because you are doing it and I have got to go. Also in Hobart and Coffs Harbour?

Mr Whalan—Correct.

Senator COONAN—Yes.

Mr Whalan—And remembering that the announcements in Hobart and Coffs Harbour had been made many, many months before.

Senator COONAN—That is right.

Senator WATSON—In a sense there was funding within the Centrelink global budget, according to your views and advice, that money was available to enable these 150 jobs to be fulfilled rather than a separate line item. Is that right?

Mr Whalan—That is right.

Senator WATSON—Good. Thank you very much. What is Centrelink's Tasmanian budget for 2007-08?

Mr Whalan—I will just see if we can get that for you, Senator. Let me just clarify that. Is your question about—

Senator WATSON—The whole of Tasmania I am looking at.

Mr Whalan—While we wait to see if we can give you a figure, Senator, I just want to note that there is no allocation for call in Tasmania. The allocations for call are a national allocation. I will see if I can get you an allocation which would, effectively, be for our other operations.

Senator WATSON—You are going to move money from the Centrelink budget into the call operation to fund these jobs—is that right?

Mr Whalan—We run the funding for call relatively separately in the Centrelink budget but we do not allocate it by geographical area; we do it nationally. So, to give you an example, when I made the judgement late last year that there was value in taking over the Launceston call centre when Telstra—

Senator WATSON—Good decision. I compliment you on that.

Mr Whalan—were closing call centres across Australia, the reason we did that was partly because we were finding it difficult to recruit staff in some other labour markets, particularly in Western Australia and some other cities. And we know we get good people.

Senator WATSON—You are a good manager.

Mr Whalan—We know we get good people in Launceston.

CHAIR—Excellent people, I might add.

Mr Whalan—So we are always looking not only at the funding but at where you can get and keep good people. In Tasmania the budget in this financial year—and this does not include call—is \$45.3 million, and that is a mix of the funding for the customer service centres that operate across Tasmania as well as the international function, because we run the international operations of Centrelink nationally out of Tasmania.

Senator WATSON—In terms of compliments, you obviously do a good job, because you have good quality staff—very courteous. They attend to our queries very promptly—is that right, Senator Polley?

CHAIR—I would have to concur with that.

Senator WATSON—In all my years here, I have experienced the lowest complaint level that I have ever received. So, well done.

Mr Whalan—Thank you.

Senator WATSON—What future plans does Centrelink have for the Launceston call centre and your Centrelink office there? In other words, are you going to use these moneys that you previously streamed for the call centre into Launceston, or is that going to be spread to other call centres or other areas of Centrelink activity?

Mr Whalan—We run 25 call centres nationally—two in Tasmania: one in Launceston, one in Hobart. We have expanded the size of the Hobart centre, but we cannot currently afford to expand the number of people. So we are keeping the existing number of people and moving them into a larger building. Assuming that in the future we have expanded demand, Hobart would be one of those areas where we could readily expand in our new building. If you go then to Launceston, we have got an existing call centre. The Telstra call centre was across the road from the existing call centre.

Senator WATSON—I know it well.

Mr Whalan—The existing call centre will keep running as it is.

Senator WATSON—So, basically, the money saved, apart from what you spent on advertising and recruitment et cetera, will be redirected where? Have you made a firm decision as to that quantum of money that you had set aside for the 150 jobs? Obviously, that is now available for other areas of activity—where is that going?

Mr Whalan—I probably need to talk a bit about how Centrelink is funded. The biggest driver in Centrelink's funding is the customer numbers. Whilst numbers for older Australians, for example, increase slightly year on year and the numbers for family customers increase slightly year on year, the biggest thing that changes is the number of customers who are in the participation space—the unemployed et cetera. As those numbers have dropped dramatically year on year in recent years, our funding has reduced. We have to cope with that not only at the beginning of each year but during each year. If, at the beginning of the year, the estimate is higher than the customer numbers prove to be throughout the year, we have to drop money through the year. What has effectively been happening is that there have been large changes in the funding of Centrelink, both across years and within years, including this last year. We have to cut our cloth both in call centres and in customer service centres.

Senator WATSON—As well as meeting—

Mr Whalan—As well as meeting service standards, yes.

Senator WATSON—efficiency dividends, plus the extra two per cent.

Mr Whalan—And there are a lot of issues in the middle of all this.

Senator WATSON—Are there any other savings or budget cuts that are contemplated for Launceston apart from the 150 jobs?

Mr Whalan—There are none specifically for Launceston.

Senator WATSON—What about Hobart?

Mr Whalan—However, as our funding is reduced, I will have to move to reduce the size of the organisation nationally, and that will happen across Australia, including in Launceston and Hobart. But it will not be targeted at Launceston, Hobart or anywhere else.

Senator WATSON—Proportionally? What sort of formula would you use?

Mr Whalan—What we use is the customer numbers that are changing, plus the fact that there are other savings that have been and will be applied to us. So we will try and do that proportionally. I will start by concentrating reductions in Canberra and in the area offices, away from the front line, but I will also have to reduce at the front line.

Senator WATSON—Yes. That is understandable. I appreciate that—you have a fairly difficult job. What future plans does Centrelink have for, specifically, the call centre in Launceston or the call centre in Hobart?

Mr Whalan—We are proud of each of them. Both of them do a very good job. We will try and keep as many people in their seats, as we call them, in each of those call centres as we can. But we have to match the number of people we have with both the customer numbers and, more particularly, with the level of funding we are given.

Senator WATSON—In Launceston and Hobart, with regard to the quality of the people whom you have there, do they have special skills or special features, such as low turnover or something, that make them fairly special? Do they win courtesy prizes or that sort of thing?

Mr Whalan—There are certain types of work in Centrelink which are not dependent upon geography. Call is an example of that, but there are other types of work too. We place that work where we can get the best workforce. To be honest, what that means is that we usually target regional areas in Australia because you can buy—I am generalising here—better quality people with lower turnover and higher skills than you can in urban areas or areas with very strong labour markets. We often look for locations where there are tertiary institutions and there is not as strong a labour market. In Tasmania you get good people.

Senator WATSON—There are all those features, yes. So how much money does your overall efficiency dividend, plus your extra two per cent, take?

Mr Whalan—I would make a few points there. I think the biggest driver in terms of the funding of Centrelink is what happens in terms of the customer numbers. Just to give you a sense of that, in this financial year we estimate that we will reduce our funding by over \$190 million because of drops in customer numbers.

We estimate that by the end of this financial year we will have dropped by \$482 million in the last four years. If I take it to the estimate for the end of next year, we estimate next year—so this is just customer number drops—I expect will drop up another \$143 million next year which will take the drop over five years to \$625 million. So we cope with that year on year on year. We have a fixed infrastructure with over 400 offices and we have got a variable funding. There is a lot of strain on that fixed infrastructure—25 call centres over 400 offices, hugely dropping customer numbers. In addition to that in terms of efficiency dividends—and here I am not talking about efficiency dividends that are applied to any other organisation—I will come back to them—that have been applied to Centrelink over the last 10 years, if I include up until the end of next financial year, those special efficiency dividends are round figures \$1.7 billion—\$1,700 million over the last 10 years. If I add on the efficiency dividends that are applied to other organisations, I can round that up to \$3 billion—\$3,000 million dollars over the last 10 years.

Senator WATSON—Is that because of your sheer size or that you would be set aside for particular savings?

Mr Whalan—No, I have split that into two parts. On the size front we are a big organisation, big numbers, and so the 1.25 per cent per year generates big numbers. So that was my second point of going from \$1.7 to \$3 billion—that is \$1.3 billion over 10 years, that

is scale and size. The \$1.7 billion across the 10 years including this next financial year, that is additional efficiencies that have been decisions for Centrelink alone.

CHAIR—Before you go on any further, Senator Watson, can I just go back to the Launceston call centre issue because I think there is a lot of confusion and obviously concern in the local community. I just wanted to refer to a statement that was issued on 19 February from Senator Barnett suggesting that the member for Bass demand a reinstatement—and I stress the word reinstatement—of 150 call centre jobs. What I would like to know is, were there any existing jobs at the Launceston call centre that were affected by the Centrelink announcement on 12 February 2008; and, if there were not, wasn't it quite wrong to use the terminology of reinstatement in this case?

Mr Whalan—There were no jobs at that point to be reinstated. No-one had been appointed at that date.

CHAIR—And just to reaffirm what I thought I heard you say earlier, there was no specified funding for the Launceston call centre that was announced by the Prime Minister.

Mr Whalan—That is correct.

CHAIR—Can I just ask one final question in relation to that. There have obviously been questions by Senator Watson on the advertising and the recruitment process for the Launceston call centre. Why was the process so far along before it was realised that those positions were not affordable?

Mr Whalan—I have been talking about the way that Centrelink is funded and the way that the funding shifts both across years and within years. What was happening progressively through the end of the last calendar year is that we were getting regular updates about the numbers of unemployed, the number of people in the participation space, and those numbers were dropping beneath our feet. The way that the funding model operates is that we have to staff the front of the offices and the number of people on the phones for the estimated number of people that there will be and then when the figures come in, if they have dropped, we are still asked to come in on budget. So we not only have to revise for the remainder of the year but claw back what effectively we have spent on estimates that have turned out to be incorrect. So what was happening through November-December was that those figures were dropping, and as they dropped we were making decisions about what we no longer do. So, for example, at the end of the last calendar year we had already moved to decide that we could not afford to go ahead with the recruitment of additional people in Hobart and on the North Coast of NSW but that we would try and hold the Launceston recruitment, and it was not until early this year, as other things changed under our feet, that we realised the cumulative effect was that we could not hold that either.

Senator COONAN—Can I just ask a few questions about Coffs Harbour. Maybe this is not so much about Coffs Harbour, but you talk about a national approach. What was the proportion of people receiving Newstart who live in rural and regional areas? Would you get that figure for me if you have not got it.

Mr Whalan—Let me just check if I can get it quickly. No, we will have to take that on notice.

Senator COONAN—Has Centrelink performed any evaluation or studies on the impact of the decision not to expand the call centre in Coffs Harbour and will it have any impact on service delivery in rural and regional areas?

Mr Whalan—We have not and we would not do an evaluation on that change. We are making a judgement at any point in time about how many staff we have on the phones to both meet our performance indicators and live within the amount of funding that we have. The way that the calls operate is that if you ring Centrelink from Elizabeth, your call will be routed to the next available operator across those 25 call centres wherever they are in Australia. The slight exception to that is that we have two rural call centres where we route calls from rural areas to specialised rural call centres. Those two rural call centres have not been impacted by these changes. So we would expect that the speed of answer, the quality of answer and the experience of the answerer will not be affected by these decisions alone. They will be affected by the fact that we will struggle through the end of this year and across next year as we try to cope with the cumulative effect of the changes in funding.

Senator COONAN—Yes, that is perfectly understandable. How far had Centrelink progressed with the Coffs Harbour expansion when the decision was taken?

Mr Whalan—We were in the midst of building a new building. The building will not be available until late this calendar year, so we had not turned our mind to recruitment at that point because the new expanded building with extra seats would not have been available until late this calendar year. Just as we did in Hobart, we will proceed with our commitment to that building. That is still a good thing. The reason for that is that the demand surges hugely throughout the year. At the moment we have probably got less than 4,000 staff working in call centres, but if you ask me in July how many we have got or in December-January, we will probably have increased the number substantially because the volume of work really peaks at the turn of the financial year and the turn of the calendar year. We are always looking for surge capacity.

Senator COONAN—You need some budgetary flexibility obviously to be able to meet the peaks and flows.

Mr Whalan—We do that within any budget. Within any budget we always run an existing number of permanent staff below the average budget cap and surge during the peak times.

Senator COONAN—How much money has been spent on the Coffs Harbour expansion to date?

Mr Whalan—The money would have been the money spent on the commitment to the new building. We would have been looking to move to new premises in Coffs Harbour anyway. Let me check if we have a figure on the cost of that new building.

Senator COONAN—You can take that on notice if that is convenient.

Mr Whalan—We will take that on notice.

Senator COONAN—You will complete the building, but is that the extent of funds that have been expended now in relation to the Coffs Harbour part of this exercise?

Mr Whalan—Yes it is.

Senator FORSHAW—On Coffs Harbour, had there been any decision made to engage additional persons for this call centre in Coffs Harbour, particularly an additional 150?

Mr Whalan—At the time the announcement was made, yes that was our intention and that was my advice. At that time, that was a sensible business decision.

Senator ALLISON—If I can start by asking if you received my letter and if you intend to respond to it soon about a constituent and the 15-hour work requirement?

Senator LUDWIG—I certainly do respond to all correspondence so I will make sure that you do get an early response.

Senator ALLISON—What level of complaint has Centrelink received in recent months and perhaps over the last year about the decisions made on the 15-hour rule?

Mr Whalan—We have received quite a bit of negative feedback around the 15-hour rule. I will check, but we would not have the number of concerns that have been raised.

Senator ALLISON—You will check that you do not have it?

Mr Whalan—I will check for you.

Senator ALLISON—There is no system for collecting that data?

Mr Whalan—We do collect complaints, so we do have information about the number of complaints that we get. I do not believe that we would be able to go to that level of specificity. We do collect complaints, for example, about policy as opposed to delivery.

Senator ALLISON—What advice do you give the minister about the level of complaints and the workability of that rule?

Mr Whalan—We provide advice to our policy departments so they can feed it to their minister.

Senator ALLISON—Has that happened?

Mr Whalan—Yes that would happen on a regular basis

Senator ALLISON—Minister, are you worried at all about both the 15-hour rule and its administration?

Mr Whalan—Sorry, Senator, can I get clear because there are two 15-hour rules. Are you talking about the disability support pension?

Senator ALLISON—Eligibility for a disability support pension as opposed to being shoved off onto Newstart.

Mr Whalan—So it is about disability.

Senator Ludwig—Let me understand this: we are talking about that which is in relation to the disability support payment—the 15-hour rule in respect of that.

Senator ALLISON—Yes.

Senator Ludwig—Then you would need to put those questions in terms of the policy to the relevant policy department, which is Ms Macklin's. Centrelink DHS administers the policy on behalf of the policy department. We are the service delivery agency—

Senator ALLISON—That is why I asked what the level of complaints was.

Senator Ludwig—and so I am happy for Centrelink to provide as much information as they can in respect of that.

Senator ALLISON—Can you characterise those complaints? Do they come from, or on behalf of, people with chronic and episodic illness?

Mr Whalan—We have not got that level of detail, and we will not have that level of detail.

Senator ALLISON—What detail do you keep then?

Mr Whalan—We collect the number of complaints that we get, whether it is about policy or about service delivery—that is our collection—and as we get information about people's concerns we pass that on to the policy departments. The other thing that we do is we ask staff from the policy departments to come out on visits to Centrelink offices where they watch the interactions and get feedback from staff about what the concerns of customers have been.

Senator ALLISON—Okay, but you just package that up and send it off to Ms Macklin's department and you have no further involvement, is that right?

Mr Whalan—Effectively it is their responsibility. We give them feedback about the experiences that people have and of course—

Senator ALLISON—Did you give them feedback about those people who have chronic illness and episodic illness who lost disability support pensions over the 15-hour rule?

Mr Whalan—Yes, we would have. Some of it would have been in our conversations with them and some of it would have been us referring on ministerials that people write to me or write to our website.

Senator ALLISON—All right. So are you able to say that this is a growing problem or is it a problem which is going away? Is this an issue or not?

Mr Whalan—I think it is an issue but it is really an issue for Minister Macklin and her department.

Senator ALLISON—Right, okay. I had some personal experience with Centrelink a little while ago when my mother rang me in terror because she thought her aged pension had been cut off. I accompanied her to Centrelink one day and it was an interesting experience. The reason she thought—wrongly—that her pension was cut off was that she was sent a four-page letter from Centrelink with lots of graphs, tables, material and information which had no relationship to the message that was being conveyed by Centrelink. My question to you is: do you have someone in Centrelink who can advise about how the aged and disabled people who are your customers understand the material which is sent to them and about whether or not it is couched sufficiently well to be understandable?

Mr Whalan—We do a lot of market testing of the material that we send out. One of the problems that we have is that there are a large number of legislative requirements about what we are to include in the written form of communications that we provide. We do a number of focus groups with different groups of people. We have a number of reference groups including representatives from seniors groups who work with us about our written communication and

about the way the service operates. I think we know that senior customers often deal better with face-to-face communication than they do with written communication.

Senator ALLISON—Mr Whalan, I looked at this letter and I could not make head or tail of it either. One of the problems was that it was a generic letter that seemed to suit all occasions. The purpose of the letter apparently was to let my mother know that there had been several increases over the last several years, and that is why the table was there. But she got four pages of material, including a phrase that said something to the effect that ‘if you dispute this decision’—and there had been no decision made or conveyed to her; it was simply information about the schedule of the payments over the last 12 months or so—‘here are your instructions’. It was advice on how to complain, in other words. That is why she thought that a decision had been made that was not in her interests. Can you explain that?

Mr Whalan—I think what your mother would have received—and I am happy to have a session offline with you about the particular letter—is a letter which is called a customer account statement. There was a lot of work done a couple of years ago on trying to pull together the totality of people’s circumstances in a statement just like a bank statement. People were worried that they were getting multiple letters about part of their business and it would be better if they could see the totality of their business in an individual letter.

Senator ALLISON—Did you road test that one?

Mr Whalan—Yes, we road test everything that we do.

Senator ALLISON—I have to say I am astounded, Mr Whalan.

Senator Ludwig—Can I add something here as well. From DHS’s perspective and from my perspective, we are committed to improving the way the agencies collect information from and communicate with the Australian community. It is, in fact, one of those areas where there was a previous committee dealing with forms and letters. This involved looking at the design, language, tone and usability of forms and letters. The department is also now working with agencies to assess opportunities to further improve the customer convenience in the way they provide information while at the same time reducing processing costs. It is a matter that we are looking at very closely.

Senator ALLISON—That is very good to hear. I am happy to offer my 85-year-old mother as a fairly typical pensioner for trying to understand these things. Whilst I was at Centrelink, I had an opportunity to observe the new system of no appointments. Is there a general sense of how well that change in arrangements has gone down?

Mr Whalan—Just finishing off that last one, Senator, I am happy to make ourselves available to talk to you in detail about that letter if you wish.

Senator ALLISON—I think she has probably put it in the bin by now. If you have another version, I would be pleased to talk to you.

Mr Whalan—It is an offer and I will leave that open.

Senator ALLISON—I make it plain that I am not making this case for my own personal reasons. There must be a lot of people out there receiving the same letter and similarly finding it incomprehensible. Anyway, we will move on.

Senator Ludwig—I took that as an example of your issue and that is why I responded with the work that we are currently doing in DHS. I think it is important work to do.

Senator ALLISON—Okay, if we could go to the no appointments rule.

Ms Hogg—I would estimate that probably over the last five years we have moved through different stages of appointments, no appointments et cetera to find the best level of convenience for our customers and to make sure that we are running the front of our offices efficiently. Four or five years ago we were doing everything by appointment and that was to try and make sure that when people came into our offices, they could be seen in a reasonable length of time. What we were finding was that the number of customers that did not keep their appointments was actually breaking down the front of the office. It was hugely inefficient to run it in that way. We have now come to a point where we largely try to deal with customers as they come in and advise them to come in straight away if they have got an issue. But if the customer needs to see us at a particular time for certain reasons, we open up appointments for those customers. A customer can always request an appointment. We now run a hybrid arrangement where we like to see people as soon as we can, and that keeps our office running efficiently, but you can request an appointment.

Senator ALLISON—But you can only request an appointment if you go in—is that right?

Ms Hogg—No, you can do that on the phone.

Senator ALLISON—You can do that on the phone now. When did that change take place?

Ms Hogg—Six months ago. We have driven a lot for consistency in this area. Our various managers have had different views about the efficiency or not thereof, but we have been very firm that it is to be consistently applied. If a customer seeks to have an appointment set, we will give an appointment.

Senator ALLISON—Going back to my experience again, the appointment in this instance could not be made because there was no-one there with special skills in the age pension. My expectation would be that in this particular area most of those beneficiaries of the pension would be aged people as it is a retiring kind of electorate. How is it that there appeared to be a full office of staff with not a lot of customers there first thing in the morning and no-one having any expertise in the age pension?

Mr Whalan—We run a large number of different payment types and, of course, a significant one is the age pension. We distribute our staff across the customer service centres and the call centres in processing areas. The way that we operate at the moment is that, broadly, there is just over one person with age pension experience available per office across Australia. Some offices do not have one person. Most offices will have one, some will have two people. If that office is open for eight to nine hours a day, in many offices across Australia there will not be an age pension specialist in the office. However, there will be people available on the phone. If there is not someone available, they can be referred by phone to another expert. I make that point, because that is just about managing numbers, resources and expertise across the system.

Senator ALLISON—We do not have multiskilling in Centrelink for people who take—

Mr Whalan—We do multiskill. We have a thing called ‘access services’, so that if you go to the front of any counter you will find a group of staff who are able to deal across the payment types and can give you quite a level of advice. Once you get to the age pension, you quickly start getting into a level of complexity where you are going to need far more specialised assistance and, at that point, we go to the specialists.

CHAIR—Can I interrupt and draw your attention to the time? We still have to wind-up Centrelink and then do Medicare. I understand Senator Coonan has some further questions on the call centre.

Senator ALLISON—I will put the remaining questions I have on notice. The questions are to do with breaching. Do you have any figures on breaching and trends over time? Do you have any breakdown of the reason for the breach? Can you advise the committee if there is any link between breaching and people who report a mental illness?

Mr Whalan—I believe we have got those figures, if not for every one of those questions, for virtually every one of those questions. I may have them here, but I can take them on notice.

Senator ALLISON—Thank you.

Senator COONAN—Unfortunately, I have to go at three o’clock so most of my questions will have to be taken on notice. Minister, has the \$5 million Centrelink issue been treated as a saving or not?

Senator Ludwig—That is the \$5.1 million, which was the matter that appears in the portfolio additional estimates?

Senator COONAN—Yes, that I referred to a little earlier.

Senator Ludwig—It is a saving measure that has been returned to budget.

Senator COONAN—How can it correspondingly be not provided for and also claimed as a saving?

Senator Ludwig—I am not sure I understand the question.

Senator COONAN—You said, in an answer in the Senate—I can take you to it if you like, but I am sure you recall it—that no funding was provided. How could it not exist, but yet be claimed as a savings measure and returned to budget?

Senator Ludwig—Unless you are confusing it with there being no funding provided to Launceston—is that what you are saying? There was no specific funding provided to Launceston.

Senator COONAN—Can you clarify for me: what does the \$5 million that is returned to the budget represent? I do not want to be incorrectly attributing it to Mr Tanner.

Senator Ludwig—It was a correction on that day where I said:

I might also add to my response regarding the \$5 million in call centre funding. The MYEFO statement concerning that funding made no mention whatsoever of Launceston.

The call centre supplementation was announced as part of the 2007-08 Mid-Year Economic and Fiscal Outlook.

Senator COONAN—That is true.

Senator Ludwig—I think the relevant page was 143, appendix A.

Senator COONAN—Yes, I have got the page.

Senator Ludwig—You will note the reason stated for that measure was to ensure Centrelink is able to better meet peaks in demand arising from clients making increased use of call centres, and a trend towards longer and more complex calls. You will note there is nothing in the description about providing funding for jobs in Launceston, or in any of the other areas.

Senator COONAN—The CPSU has called for a guarantee from the government in relation to no forced redundancies in Centrelink jobs—are you able to give that guarantee?

Senator Ludwig—I can let the CEO of Centrelink provide that. If you understand the funding model that I think was described accurately to you—one that you would have sat around the cabinet table and agreed to—that funding model provides a system which is directly linked to the policy department. As you would have had explained, if DEEWR provides the policy and the attached money, then Centrelink provides the service—particularly in relation to numbers of people or customers that are coming in through employment. As that number decreases, their funding decreases as a consequence, but I will let the CEO deal with the issue of particular redundancies that you mentioned.

Mr Whalan—In accordance with the PBS—but the numbers keep shifting under our feet—my best estimate for next financial year is that we will have a reduction of between \$150 million and \$300 million. That can swing either way quite significantly, but between \$150 million and \$300 million. I would not be able to have given, and cannot now give, a guarantee of no redundancies. We will have to pull down our staff significantly. My best estimate at the moment is—and this can swing, significantly—some 2,000 staff.

Senator COONAN—2,000 staff that could lose their jobs from Centrelink as a result of these budget pressures?

Mr Whalan—As a result of the combination of budget pressures that were, and are, on Centrelink, I expect we will have to reduce our staff by some 2,000 for this next financial year. There cannot be any guarantee about redundancies.

Senator COONAN—When Lisa Newman, the CPSU Deputy National President, wants the Rudd government to give an absolute guarantee there will not be any forced redundancies in Centrelink as a result of the razor gang, she is whistling in the dark, is she?

Mr Whalan—I do not believe I can give a guarantee, Senator.

Senator COONAN—Thank you.

Mr Whalan—I will try and avoid it, as much as possible, but I cannot give a guarantee.

Senator FIERRAVANTI-WELLS—Picking up on that, just to be clear about the cost-cutting measures that you are going to implement: are the 2,000 jobs all over Australia? Is that the intended effect?

Mr Whalan—Yes, we will try and preserve the front-line as far as possible, but we will not be able to quarantine them completely.

Senator FIERRAVANTI-WELLS—You have obviously worked out that there are about 2,000 of them. Where are they going to be?

Mr Whalan—That has yet to be worked through completely.

Senator FIERRAVANTI-WELLS—You have obviously done some work on it already. Can you tell us the preliminary view as to where those 2,000 jobs are going to be cut?

Mr Whalan—No. I have yet to work through that completely and I need to work it through.

Senator FIERRAVANTI-WELLS—You have obviously started work on it; have you?

Mr Whalan—I have.

Senator FIERRAVANTI-WELLS—So you have at least an idea where the 2,000 job cuts are going to be. I assume if you have started to work on it you must at least have some view.

Mr Whalan—I know the round numbers in terms of the best estimate, because the numbers will shift depending on what happens in the budget this year. I am doing the planning for it, but I am not prepared at the moment, because I have not finalised it and it is a matter of speculation, to go beyond saying that I know that on the best estimate at the moment I need to pull down the size of the organisation by 2,000.

Senator FIERRAVANTI-WELLS—So potentially every Centrelink office could lose jobs?

Mr Whalan—Yes.

Senator FIERRAVANTI-WELLS—So everybody is under consideration. You have done work on it. Have you identified the areas of Centrelink that you are going to cut?

Mr Whalan—Every area.

Senator FIERRAVANTI-WELLS—Have you identified how many jobs are going to be cut from each area?

Mr Whalan—It would be unreasonable of me to go beyond at the moment that broad estimate.

Senator FIERRAVANTI-WELLS—And the 2,000 are right across the board, in terms of starting from the upper echelons right down to the lower levels?

Mr Whalan—Yes, and that is where we have started.

Senator FIERRAVANTI-WELLS—Are there priority areas that you are targeting?

Mr Whalan—I will try to preserve the front line as much as I can.

Senator FIERRAVANTI-WELLS—You say you are going to preserve the front line as much as possible. Have you identified which front-line services are more vulnerable than others?

Mr Whalan—No, we will look to preserve the front line. The front line is the customer service centres and the call centres across Australia. We will try to reduce the impact on them, but they will be impacted.

Senator FIERRAVANTI-WELLS—What is going to be the impact on service delivery if you cut 2,000 people?

Mr Whalan—One of the reasons that the funding is being cut is that the customer numbers are dropping. But, given the range and breadth of the cuts that will be occurring, there will be an impact on service delivery, but my job is to try to minimise that.

Senator FIERRAVANTI-WELLS—One of the announcements made was to merge Centrelink and Medicare services—and I will come to where I particularly want to ask about that—but is that part of the plan? In effect, are you going to achieve some of these so-called savings by merging Centrelink and Medicare offices?

Mr Whalan—I do not believe that there has been an announcement made of that type. All my comments are about Centrelink alone.

Senator FIERRAVANTI-WELLS—Can somebody explain to me then why in the Illawarra in a place called Warrawong there was an announcement by Labor to merge Centrelink and Medicare services as a first step to merging these two agencies? Is this a one-off or is this part of the bigger plan to merge the services of the two agencies?

Senator Ludwig—That was a one-off. It was a new office, not an existing office as I understand it.

Senator FIERRAVANTI-WELLS—My understanding is that that is not the case.

Senator Ludwig—Perhaps you have the document there and you could share it with us.

Senator FIERRAVANTI-WELLS—I do not have a document.

Senator Ludwig—What I am telling you—

Senator FIERRAVANTI-WELLS—More to the point, Senator: that is where I grew up so I know exactly where the office is. I had concerns at the time, and we are going back to November. Are you planning to merge Centrelink and Medicare services, and this will result in savings? If you are prepared to do it in Warrawong, what is to say that you are not prepared to do it in other places?

Mr Whalan—I am responsible for running Centrelink and I am planning to run Centrelink in the best possible way that I can do it.

Senator FIERRAVANTI-WELLS—All right. Perhaps, Minister, you might assist. Is this a wholesale plan?

Senator Ludwig—Let us come back a little bit from that. I do not have the issue you are talking about before me and I understand that you may not have it either. Are you talking about a service delivery trial? We do undertake service delivery trials and we can talk about that. I can get someone to provide you with some information in respect of that. I take it you are not opposed to extending the services that Medicare provides into new areas?

Senator FIERRAVANTI-WELLS—No.

Senator Ludwig—I take it that that is not one of the issues that you raise?

Senator FIERRAVANTI-WELLS—Minister, perhaps you might look at this, because this office has demonstrated concerns for this reason. There are Medicare services. My concern is

that you have got both Centrelink and Medicare offices in this area, and an announcement was made in November to the effect that these offices would be merged. Is this just for this area or is it part of a bigger plan? You might take this on notice. You might like to have a look at the report on page 63 of the *Financial Review* on 23 October that looks at Labor's plans to merge Centrelink and Medicare and look at changes in the Department of Human Services. Is the announcement in relation to Warrawong a precursor of what could happen, given that you have to give effect to so many savings across the board?

Senator Ludwig—What I can say is that that announcement, which was made by Ms Jennie George at the time, was of an expansion of the current Centrelink services to provide a joint Centrelink-Medicare office in Warrawong. It was about providing new services. I take it you are not opposed to providing new services. Around 17,000 people live in Warrawong and surrounding suburbs—as you would appreciate if you know the area well. It was a response to a major local campaign by residents around Warrawong to provide a joint—

Senator FIERRAVANTI-WELLS—I am also aware of the campaign.

Senator Ludwig—Let me finish my answer. It was to provide a joint Centrelink-Medicare office, so to that extent it is a one-off to provide a service of both Centrelink and Medicare to 17,000 people in that area.

Senator FIERRAVANTI-WELLS—That area is serviced by a Centrelink office located in the shopping centre and Medicare access points at a local pharmacy, a shopping centre, a chemist and another pharmacy. The area is well serviced by Medicare. The point that I am making is about the merging of the two offices and the saving that that will result in. Is that a formula that you intend to replicate in other areas to achieve cost savings? That is my point.

Senator Ludwig—What I will do is take the matter that you have related to the *Financial Review*. I would not mind getting a copy of it so that I can understand the background. I will take it on notice so that I can provide you an answer.

Senator FIERRAVANTI-WELLS—I want to understand the big picture.

Senator Ludwig—Perhaps I can provide you with an answer.

Senator FIERRAVANTI-WELLS—Exactly, Minister. If it is a one-off, can I—

Senator Ludwig—That is a one-off in respect of the—

Senator FIERRAVANTI-WELLS—So that means you are ruling out any mergers of any Centrelink and Medicare offices to result in cost savings?

Senator Ludwig—No. What I have said in respect of Warrawong is that it is a one-off and that it was a commitment to expand the current Centrelink services. It was an expansion, as I have said. I do not think you are opposed to providing services at both Centrelink and Medicare into that area. In respect of the matter within the *Financial Review* that you raised, I would not mind having a look at that article to refresh my memory, and I will take it on notice and provide you with a response.

Senator FIERRAVANTI-WELLS—Thank you. We are now still in Centrelink?

Senator Ludwig—I am informed that we are also doing it in Emerald. There was an announcement for an expansion of the services at both Centrelink and—

Senator FIERRAVANTI-WELLS—Are there any other mergers on the books?

Senator Ludwig—They were the two announcements during the election.

Senator FIERRAVANTI-WELLS—Are there other areas that you are looking at?

Senator Ludwig—I want also to come back a little bit from the phrase that you use, which is ‘a merger’. It is an expansion of those services in those areas. It is not a merger. Centrelink and Medicare are two separate FMA agencies.

Senator FIERRAVANTI-WELLS—Yes, I appreciate that—

Senator Ludwig—Yes, I thought you might.

Senator FIERRAVANTI-WELLS—but there is a Medicare office and a Centrelink office, and you are going to merge the two into one. So you are going to give effect—

Senator Ludwig—No, that is incorrect. They are not merged—that is your language that you used. I am talking about expansion of both Medicare and Centrelink into both Warrawong and, I am now informed, Emerald.

Senator FIERRAVANTI-WELLS—All right, Minister. We will differ on the language, but could you take that on notice and also take on notice whether there are any other areas where there will be an ‘expansion’, to use your words, as opposed to a closure.

Senator Ludwig—Thank you. I will.

CHAIR—You asked a question about whether or not we are still in Centrelink. We are. Senator Watson has another question. I am not sure if Senator Moore has any. No? Then it really depends on how many more questions there are, because we have 20 minutes or less to deal with Medicare and the remainder of Centrelink.

Senator WATSON—Mr Whalan, when you made the decision about the 150 jobs in Launceston you thought it was a good idea—these people had great skills, great experience and low turnover—and you intended to fund it through various streams that you had internally and in Medicare. Did you pass that information on to anybody at the department of finance, Treasury or the Prime Minister’s department?

Mr Whalan—Last year, when we decided to go ahead with Launceston, I would have advised them that it made business sense and that I was planning to proceed with offering to take over that infrastructure, the additional call centre.

Senator WATSON—Where did you get your advice from? Was that internal advice?

Mr Whalan—The internal finances of Centrelink.

Senator WATSON—Within Centrelink?

Mr Whalan—It is taking account of everything that is happening in terms of funding at a point in time.

Senator WATSON—So you just went ahead. There was no need to make reference to any other bureaucracy.

Mr Whalan—It is a decision that I make.

Senator FIERRAVANTI-WELLS—Can I take you to the expansion of the Northern Territory intervention. Senator Coonan has just asked me to ask these questions, if I may. What is the process involved in notifying someone that their payments are going to be quarantined? Specifically, when are they notified, how much notice are they given and what right of appeal do they have?

Mr Whalan—This goes back now many months to when the previous government made a decision to establish the Northern Territory emergency response and that there would be communities across the Northern Territory that would be included in that response. One element of the response was income management. Legislation was passed to enable the responsible minister to deem communities within the Northern Territory to be what we call ‘switched on’ to income management. We, through Minister Macklin’s department, provide advice about when we believe a community is ready. We plan, together with Major General Chalmers, who has operational coordination responsibility in the Northern Territory. The responsible minister, now Minister Macklin, makes the determination about when communities will be switched on. As part of the lead-up to a community being switched on we provide advice to people in that community. We would write to them and we would visit the community. We would have people in the community for quite a period of time prior to and, in fact, after the switching on.

Senator FIERRAVANTI-WELLS—Can I take you to a couple of instances. On 30 January this year, it was reported that an 80-year-old woman had her payments wrongfully quarantined because she lived in a street that shared its name with a community declared relevant under part 3B of the Social Security (Administration) Act 1999. It has been reported that Centrelink have admitted to this debacle. However, there have been reports that this was not an isolated incident. How many other customers have had their payments wrongfully quarantined? It was contained in an article on ABC News: ‘Centrelink admits error over pension decision.’

Mr Whalan—There are eight people who have been wrongly quarantined. They are people who have been living near a town camp. Town camps are on the edge of major urban areas and I think all of these were around Alice Springs. It has been a result of confusion about street names having the same name as a place name in a town camp. Because we have identified each person, we have rectified it quickly and we have put in place arrangements which we believe will stop that occurring again. In particular, what we are doing now is hand delivering every letter because the issue about locations on the edges of these town camps is problematic.

Senator FIERRAVANTI-WELLS—I understand that you are investigating claims by the Northern Territory member for Braitling that up to 30 people have had their payments wrongfully quarantined. AAP ran a story on 30 January, reporting that the Independent MP Ms Loraine Braham said that there were reports that there were up to 30 people caught by the system error and questions need to be asked how many other people have been affected without knowing it.

Mr Whalan—We have investigated that. There are eight.

Senator FIERRAVANTI-WELLS—I see—they are the eight. So it is basically this problem of assumption, and if they are in or out?

Mr Whalan—Confusion around place names, particularly around those town camps.

Senator FIERRAVANTI-WELLS—Are you confident that you have the resources to administer this policy?

Mr Whalan—Yes, we do. We have been given good support there in terms of our resources. To date, we have been provided with the resources we need to do the job there. The approach and processes that we use are, by necessity, quite cumbersome. We certainly would like to move to streamline them.

Senator Ludwig—One of the issues is that, notwithstanding the matters that we have just gone to now, the Northern Territory intervention is an admirable idea. However, in the speed in which it was rolled out under the previous Liberal government, the practical matters that we are now dealing with were not sorted out. Particularly, the income management that was extended to town camps led to the issues that have arisen now. What we are doing is trying to manage this in such a way that we can ensure that these things are now appropriate and corrected and dealt with. As we have just heard, the new checks have been implemented to ensure that the same mistakes do not happen again. The planning and implementation that could have gone ahead to avoid this was not the best, it seems, because we are now finding these practical matters were not done by the previous government. Of course, it does create additional workload for Centrelink staff who are up there doing a very valuable job.

Senator FIERRAVANTI-WELLS—I take you to some comments that have been made by Major General Dave Chalmers. He has concerns about there not being sufficient resources and reports that people were selling their food vouchers and using the money to buy alcohol. He said he did not ‘have the means to investigate how widespread the problem is’. Again, an AAP article from 30 January states: ‘In another twist, it was revealed last week that welfare food and clothing vouchers were being sold for cash, which was then spent on booze.’ It quotes Major General Chalmers about his concerns. Do you have plans to investigate what is happening with these food vouchers?

Mr Whalan—We follow up every reported incident and have found no concrete evidence of that happening. I would not rule out that it has happened, but we have found no evidence and we are absolutely committed to trying to ensure that that system works as well as it can, noting that it is an imperfect system. There have been a lot of advantages in those stored value cards. An interesting example is that Woolworths and Coles in Alice Springs report that there are significantly more Indigenous people shopping in those large supermarkets. They are, I think, getting value for money and, hopefully, more good quality food is being bought. There are significant difficulties around using the stored value cards, but I think we are doing as well as you could hope with those arrangements.

Senator FIERRAVANTI-WELLS—Are you confident that, with the steps that you say have been taken, there are no children in communities who are not being properly fed and looked after?

Mr Whalan—I am confident that people are getting better fed now than they were.

Senator FIERRAVANTI-WELLS—What practical steps are you now undertaking following this? You obviously saw those reports. Have you intensified the practical steps that you are now taking?

Mr Whalan—We have no proof that the cards are being traded. We do not think that the cards are the best system, by the way, but it is the system that we are operating on at the moment. I will often say to people: ‘You would be mad to buy one of those cards, because basically you are buying it on spec. You do not know how much money is on it.’ But we have not found any examples. On the back of the Coles gift card it says that it is worth 20 bucks. But if you were buying one from me you would not know if I had spent \$19.90 or if it still had 20 bucks on it. It is a card that does not allow the purchase of alcohol, tobacco or phone cards. You cannot trade it for another card at the shop. It is a reasonable system but it is certainly not an ideal system.

Senator FIERRAVANTI-WELLS—I assume you saw those reports—

CHAIR—Can I just make the comment that you also have a question on Medicare, so—

Senator FIERRAVANTI-WELLS—No, I have covered that.

CHAIR—Senator Moore has a question on Centrelink and Senator Siewert has just come in. We have around seven minutes.

Senator FIERRAVANTI-WELLS—You probably saw the reports of 30 January. Have you actually spoken to Major General Dave Chalmers about these reports?

Mr Whalan—My staff have.

Senator FIERRAVANTI-WELLS—Okay, and what has been the outcome of that?

Mr Whalan—That is the report that alleges that there is trading in the cards. My staff have been working on the ground in the Northern Territory to follow up any information about it occurring and we have found nothing.

Senator MOORE—On that point, the Senate Standing Committee on Community Affairs thinks that this is an area that should be in that committee. Nonetheless, in the community affairs committee we had a significant discussion about the intervention processes with Major General Chalmers and we talked about the inquiry into the card process. We have a number of questions and concerns. To follow through on that, through the minister, the community affairs committee would like a briefing on the general issues for Centrelink in this area, as we have done with FaHCSIA and with Health and Ageing. I know Senator Siewert was following up on the issue of the cards specifically.

Mr Whalan—Subject to the minister, we would be very happy to.

Senator Ludwig—I do not see any reason why you should not be provided with a briefing with respect to this. As you know, there was a lack of planning in rolling out the income management system and the option of an access card was chosen. Centrelink are now managing it as best they can. It is an imperfect system as the COS has explained. I am pleased he has provided advice to the general population not to purchase the cards, because, of course, the amount on the card is not known.

Senator MOORE—It is not so much an issue of purchase, Minister.

CHAIR—We will hear Senator Siewert on the card, and then we will go to Senator Watson for Medicare.

Senator SIEWERT—Thank you. I am sorry I have not been here; I have been at another meeting, which I could not get out of. I was interested to see you hold up that card, because when I asked about it yesterday I was very clearly told by Major General Chalmers that in fact you do not have gift cards and you are not giving out gift cards. I was very clearly told that that is in fact not what is happening. Now it seems to me that the card you were just holding up is exactly the same as what I have a photocopy of here—

Mr Whelan—That is correct.

Senator SIEWERT—and it clearly says ‘gift card’ on it. So we were told incorrect information at community affairs yesterday.

Mr Whelan—I am unaware of that. What I can say is that there are a range of different payment systems that operate. We put money directly into accounts for people—electronic transfer. We put money into the accounts at individual stores so people can shop at a particular store, and in terms of the national chains we use these cards.

Senator SIEWERT—We were told yesterday that on one occasion there was trouble in Katherine. I was told in no uncertain terms that no gift cards were given out; that there were two types of cards—a store value card and a gift card—and the store value card is what Centrelink gave out, not gift cards. Gift cards were not used because you could buy other things on them. Clearly this card says ‘gift card’, and on the bottom it says that you cannot buy alcohol, tobacco or phone cards with it. How come I was told yesterday that they were not gift cards? Centrelink are giving these out in Alice Springs—is that correct?

Mr Whelan—Yes, we are. We use a range of different cards. Here is the Woolworths card. It is a generic Woolworths card. When I say it is ‘generic’, I mean it is a card which does not enable the purchase of alcohol and cigarettes.

Senator SIEWERT—I understand that.

Mr Whelan—But it is a generic card. My only suggestion there is that there has been a confusion. I cannot speak for people who have answered questions in another committee.

Senator MOORE—If we could get the *Hansard* from yesterday, that would be really useful in terms of where we go with our briefing, because this is a significant point.

Ms Williams—I am told that the Coles store value cards are called ‘gift cards’; however, they have wording on them to the effect that they are not redeemable for alcohol or tobacco. So that may be part of the—

Senator SIEWERT—The question I was asking to begin with was: why are you giving out cards that say ‘gift’ on them through this process? I was told categorically that that was not happening.

CHAIR—I think you have asked your question—

Mr Whalan—I can answer your question briefly. We are using what is available. We basically had to hit the ground incredibly fast and we hit the ground with what is in the market. Is it ideal? No. But, basically, we are making the best of the products that currently are available. There would be better ways of doing it, but we have got to use what we have got.

Senator SIEWERT—That is the answer I would have preferred yesterday, because it is honest.

CHAIR—Thank you very much, Senator Siewert. I appreciate your interest in the area, but we have got Medicare and we have got all of two minutes for Senator Watson to ask a question and have it answered.

Senator Ludwig—In terms of what Senator Siewert was asking, my earlier remarks are still apposite, in that we did pick up a system that was rolled out with a lack of planning, a lack of implementation and a lack of dealing with all the practical issues that would arise. The CEO of Centrelink has explained how they are dealing with it as best they can in the short term.

Senator SIEWERT—The point I was making is that I would have preferred that answer yesterday—because it is an honest answer—rather than what I was told yesterday, which was that it is not happening.

Senator Ludwig—We can offer a briefing in respect of the card issue and the income management issue more broadly in the Northern Territory emergency response. We would be happy to include that.

Senator SIEWERT—Thank you. That would be appreciated.

CHAIR—Senator Watson is going to read out his question, and you can take it on notice, due to the time.

Senator WATSON—My question is directed to Medicare and to fraud in Medicare. Is the level of fraud—in terms of Medicare and other identity cards which are used as a means of getting unlawful payments, such as drivers licences—continuing to be a major source of concern? If so, what plans are underway to reduce that scope of fraud? An access card has been rejected, so, obviously, there would be other administrative measures to minimise, or certainly reduce, the level of that identity fraud.

Ms Argall—I did not hear the first part of the question—are you talking about the use of the Medicare card for broader measures?

Senator WATSON—I am talking about the Medicare card and other cards that are used for obtaining benefits through Medicare, because they are used as an identity measure. We have got a problem—some of the problem is the Medicare card; other cards used include driving licenses et cetera—with cards being used to identify a person. Given the fact that the parliament is not proceeding with an access card, what steps are being taken to minimise the impact of fraud?

CHAIR—Senator Watson has asked if that could be taken on notice.

Senator WATSON—Yes.

CHAIR—I thank Senator Ludwig and the department, particularly for your patience earlier in the week. I also thank Mr Palethorpe, the secretariat and Hansard.

Committee adjourned at 3.31 pm